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PETITION FOR WRIT OF CERTIORARI

87-1908

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No. _____

In the

Supreme Court of the United States

October Term, 1987

FRANKLYN NOVAK,

Petitioner,

v.

MUTUAL OF OMAHA INSURANCE COMPANY,

Respondent.

On Petition for a Writ of Certiorari to the U.S. Court of Appeals for the Eighth Circuit

PETITION FOR A WRIT OF CERTIORARI

* ROBERT LEWIS BARROWS
DAVID L. LILLEHAUG
GREGORY C. BROWN
LEONARD, STREET AND DEINARD
Suite 1500
100 South Fifth Street
Minneapolis, Minnesota 55402
Telephone: (612) 337-1500
Counsel for Petitioner

Of Counsel:
WARREN C. SCHREMPP
SCHREMPP, GROSS & SALERNO
Inns of Court Building
617 North 90th Street
Omaha, Nebraska 68144
Telephone: (402) 391-7131

*Counsel of Record

1988 — Bachman Printing, 835 Second Avenue So., Mpls., MN 55402 — (612) 339-9518

QUESTIONS PRESENTED FOR REVIEW

1. What is the appropriate scope of review of a district court's findings on the issue of "likelihood of confusion" under Sections 32(a) and 43(a) of the Lanham Act, 15 U.S.C. §§ 1114(1) and 1125(a)?

2. Was Petitioner's trademark parody printed on T-shirts non-commercial speech protected by the First Amendment, and, if so, does any compelling governmental interest justify a prior restraint of Petitioner's noncommercial speech?

3. Can the conflict between the First Amendment and Sections 32(a) and 43(a) of the Lanham Act, 15 U.S.C. §§ 1114(1) and 1125(a) (as well as Neb. Rev. Stat. § 87-302) as enforced against noncommercial speech be avoided by narrowing the definition or applicability of the "likelihood of confusion" standard?

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PETITION FOR A WRIT OF CERTIORARI

OPINIONS BELOW

The opinion of the United States Court of Appeals for the Eighth Circuit (from 775 F.2d 247 (8th Cir. 1985)) affirming the District Court's granting a preliminary injunction is reproduced at A-3. The findings of fact, conclusions of law, and order for judgment of the United States District Court for the District of Nebraska entering judgment in favor of Respondent and granting Respondent a permanent injunction (from 648 F. Supp. 905 (D. Neb. 1987)) are reproduced at A-10. The opinion of the United States Court of Appeals for the Eighth Circuit (from 836 F.2d 397 (8th Cir. 1987)) affirming the District Court's judgment is reproduced at A-22. The order of the United States Court of Appeals for the Eighth Circuit denying the petition for rehearing is reproduced at A-40.

JURISDICTION

The judgment of the United States Court of Appeals for the Eighth Circuit was entered December 30, 1987, and a timely petition for rehearing was denied February 17, 1988. This case arises under the Lanham Trademark Act, 15 U.S.C. § *1051 et seq.*, and therefore involves a federal question — alleged violations of the laws of the United States governing trademarks. 28 U.S.C. § 1331. This Court has jurisdiction pursuant to 28 U.S.C. §§ 1254(1) and 2101(c) to review, by writ of certiorari, the decision of the Court of Appeals.

STATUTORY PROVISIONS INVOLVED

The pertinent provisions of the federal constitution, the Lanham Trademark Act, 15 U.S.C. § 1051 *et seq.*, and the Nebraska Uniform Deceptive Trade Practices Act are set forth at A-41–45.

STATEMENT OF THE CASE

Petitioner Franklyn Novak ("Novak") is an artist and writer. A-4. Respondent Mutual of Omaha Insurance Company ("Mutual") is an insurance company whose premium income amounts to over $1.5 billion a year. A-11.

In April of 1983, Novak, then a resident of Omaha, Nebraska, watched a CBS news documentary depicting the effects of the detonation of a nuclear bomb on Omaha, the headquarters of the Strategic Air Command. Transcript of Proceeding, June 16–17, 1986, at 180 (hereinafter cited as "T- "). The program showed the explosion destroying the headquarters of Mutual, and toppling from the building the company's sign depicting its logo, a stylized, war-bonneted Indian head. *Id.* (The logo is reproduced at A-11.)

Novak was struck by the irony of the image. It drove home the concept that even insurance companies, which are, as he put it, "supposedly the bedrock of security," would not be immune in a nuclear conflict. *Id.* He found it inconceivable that insurance salesmen speak of security given the threat of nuclear war. T-180–81.

To pass on this message to others, Novak produced a design portraying a fictional "nuclear holocaust insurance" company, which he called "Mutant of Omaha." A-12. Using Mutual's logo as inspiration, Novak composed a design showing an emaciated face wearing a bonnet of burned or charred feathers with an "X" where the person's eye would appear. T-182. (The logo is reproduced at A-12). The face was intended to show the horrible effects of nuclear war. The use of the face of an Indian suggested that nuclear war, presumably triggered by the actions of Caucasians, would be the ultimate injustice imposed on the first Americans.[1]

To disseminate his message, Novak chose to print the "Mutant of Omaha" words and logo on the front of T-shirts. A-12. The back of the T-shirts read "When the world's in ashes we'll have you covered." *Id.* The purpose of this phrase, to which Mutual apparently does not object, was to communicate the irony of life insurance in a nuclear world. T-181–82. Novak sold approximately 4,000 of the T-shirts. Id. He also has used his designs on a limited number of sweatshirts, caps, buttons, and coffee mugs. Id.

In 1984, over one year after Novak first published his "Mutant of Omaha" logo, Mutual sued him, claiming (1) common law trademark infringement; (2) violation of Section 32(a) of the Lanham Act, 15 U.S.C. § 1114(1), which prohibits the use in commerce of registered marks where "such use is likely to cause confusion, or to cause mistake, or to deceive . . ."; (3) unfair competition in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); and (4) violation of the Nebraska Uniform Deceptive Trade Practices Act, Neb. Rev. Stat. § 87-301 *et seq.* ("Nebraska Trade Act").

Novak answered, asserting that his use of the symbol "Mutant of Omaha" did not illegally infringe Mutual's trademark. He contended that his use of the logo was not confusing but, in any event, was parody protected as noncommerical speech by the First Amendment.

On November 30, 1984, the District Court granted Mutual's motion for a preliminary injunction. *See Mutual of Omaha Insurance Co. v. Novak*, Civ. 84-0-581 (D. Neb. Nov. 30, 1984).

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[1]Novak also created a "Mutant of Omaha's Mutant Kingdom" logo. He discontinued the use of that logo before trial, and his use of it is no longer at issue.

Novak was prohibited, among other things, from using the term "Mutant of Omaha" or the related logo. The United States Court of Appeals for the Eighth Circuit affirmed the issuance of the preliminary injunction, *see Mutual of Omaha Insurance Co. v. Novak*, 775 F.2d 247 (8th Cir. 1985) (reproduced at A-3–7), but required that the District Court accelerate final disposition of the action.

The action was tried to the District Court in 1986, and it issued its findings of fact and conclusions of law. *See Mutual of Omaha Insurance Co. v. Novak*, 648 F. Supp. 905 (D. Neb. 1986) (reproduced at A-10–20). Ruling that the elements of trademark infringement under the common law, the Lanham Act, and the Nebraska Trade Act were the same, *see* A-14, the District Court determined Novak had illegally infringed Mutual's trademarks. The District Court applied the six factors delineated by the Court of Appeals for the Eighth Circuit in *SquirtCo v. Seven Up Co.*, 628 F.2d 1086 (8th Cir. 1980): (1) the strength of plaintiff's trademark; (2) the similarity of the two marks; (3) the competitive proximity of the products; (4) the intent of the alleged infringer; (5) the existence of actual confusion; and (6) the type of product being sold by the defendant, its cost, and the conditions of purchase. A-15. Based on its analysis of these six factors, the District Court found that Novak's use of the "Mutant of Omaha" name and logo infringed Mutual's trademarks and issued a permanent injunction barring Novak's use of the "Mutant of Omaha" name and logo.

Of these six factors, there was no real dispute as to three of the factors. As to the first factor, Novak conceded that Mutual's marks were strong. A-15. Moreover, the District Court found under the third factor that Novak's T-shirts and other items did not compete with Mutual's products. A-16.[2] Finally, Novak admitted under the fourth factor that he had intended to disseminate his message to the public by parodying Mutual's trademarks. A-16–17.

As to the three disputed *SquirtCo* factors, the District Court under the sixth factor found that buyers of T-shirts and similar goods are not likely to exercise the high degree of care and thought

[2]Mutual of Omaha did place its mark on T-shirts and other items for distribution to its agents, but Mutual did not market these items to the public. A-16. The District Court concluded, that there was little or no direct competition between Novak's products and Mutual's. *Id.*

necessary to distinguish Mutual from the message disseminated through Novak's logos. A-18. As to the second factor, the similarity of the two marks, the District Court simply examined the logos and concluded that on their face the two logos were similar. A-15.

Finally, with respect to the fifth factor, actual confusion, the District Court found that a "significant number of people equate Mutual with the message on Novak's shirts." A-18. This finding was based on a survey of 400 persons interviewed at random in shopping malls in four cities. The interviewees were shown a "Mutant of Omaha" T-shirt and were asked questions about it. As the District Court found:

> Approximately 42% of those surveyed said that Mutual of Omaha or the Mutual of Omaha logo came to mind upon being shown the T-shirt. Of those who thought of Mutual, 25% said that Mutual "goes along" with the T-shirts "in order to help make people aware of the nuclear war problem." In other words, 10% of the total surveyed thought that Mutual goes along with Novak's product.[3]

A-17–18.

The District Court rejected Novak's First Amendment defense on the grounds that Novak could have expressed his opposition to nuclear war without using Mutual's trademarks. A-18–19. The District Court did reject Mutual's claim of trademark disparagement. A-19–20. It ruled that consumers in all likelihood would not associate Novak's logo with Mutual's in an unwelcome, unsavory, or degrading manner. A-19. The District Court entered judgment against Novak in the form of a permanent injunction. A-20.

Novak appealed the District Court's decision to the United States Court of Appeals for the Eighth Circuit. *See Mutual of Omaha*

[3]While Novak attacked the validity of the study below, solely for purposes of this petition Novak does not challenge the propriety of the survey's methodology or the accuracy of its results, *i.e.*, that 58% of the population would not be reminded of Mutual by Novak's message; that 10% of the population would believe that Mutual endorses Novak's message; and that the remaining 32% of the population would be reminded of Mutual but would not believe that it endorsed Novak's message.

Insurance Co. v. Novak, 836 F.2d 397 (8th Cir. 1987) (reproduced at A-22-39). By a 2-1 decision, the Court of Appeals affirmed.

The Court of Appeals reviewed the case using a "clearly erroneous" standard of review and determined that the District Court's findings on the six *SquirtCo* factors and on the ultimate issue — likelihood of confusion — were not clearly erroneous. A-25. It rejected Novak's First Amendment defense on the same ground as had the District Court: that Novak had adequate alternative avenues of communication. The Court of Appeals majority stated:

> Other avenues for Novak to express his views exist and are unrestricted by the injunction; for example, it in no way infringes upon the constitutional protection the First Amendment would provide were Novak to present an editorial parody in a book, magazine, or film.

A-31. The Court of Appeals further explained this purported distinction between T-shirts and other media, such as newspapers, magazines, and pamphlets, in footnote No. 8.

> The injunction at issue does not quash most uses to which Novak might wish to put his design, nor does it require that the design be altered. Novak is prohibited from using the design only in the specific commercial ways mentioned in the injuncion. His right to use the design in other ways — such as in anti-nuclear pamphlets and the like — is not restricted in any manner whatsoever.

A-32.

Circuit Judge Gerald Heaney dissented. He noted that there was a superficial similarity between the logos, but that such similarity was required for a parody to be successful. A-34. Here, the differences between the parties' names and logos were "unmistakable" enough to create a valid parody. *Id.* He also found the District Court's reliance on the survey, as well as its finding that consumers would not exercise the care and thought to distinguish Novak's message from Mutual's, to be clearly erroneous. A-35-36.

Finally, Judge Heaney determined that the majority opinion could not be squared with the First Amendment. He noted that the injunction was a prior restraint on publication and that extraordinary circumstances for such a remedy did not exist. A-36. He contended that no adequate alternative avenue of communication was available because enjoining use of a trademark parody goes to the content of the speech rather than the time, place, or manner of its delivery. A-37.

The Court of Appeals denied Novak's petition for rehearing on February 17, 1988. A-40. Novak now requests that this Honorable Court issue a writ of certiorari so that it may review several important issues.

REASONS FOR GRANTING WRIT

A. There Is A Conflict In The Circuits On The Standard Of Review Of A Trial Court's Finding Of "A Likelihood Of Confusion" Under The Lanham Act.

The United States Court of Appeals for the Eighth Circuit reviewed the District Court's findings using a "clearly erroneous" scope of review. The "clearly erroneous" standard was applied not only with respect to the District Court's findings on each of the six *SquirtCo* factors, but also to the ultimate conclusion that Novak's use of the words "Mutant of Omaha" and the logo created a "likelihood of confusion."

In this case, a *de novo* scope of review should have been used, at least with respect to the visual similarity of the two marks and with respect to the ultimate conclusion of likelihood of confusion. As to visual similarity, the Court of Appeals was in as good a position as the District Court to examine the two logos and to compare their similarities and contrast their differences. *See Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366 (7th Cir. 1976); *J.B. William Co., Inc. v. Le Conte Cosmestics, Inc.*, 523 F.2d 187 (9th Cir. 1975). The Court of Appeals should have done so, found the two dissimilar, and then considered the ultimate issue of likelihood of confusion.

De novo review was also appropriate on the ultimate issue. Three of the factors — the strength of Mutual's mark, the noncompetitiveness of Novak's and Mutual's goods and services, and Novak's intent — were essentially undisputed. Two of the factors — actual confusion and visual similarity — were decided primarily on the basis of documentary evidence: a written survey and the printed logos. If one accepts for purposes of argument the District Court's finding as to the final factor — the degree of consumer care — there was no reason for the Court of Appeals to grant any deference to the District Court's weighing of the six factors.

The issue of the scope of review of a finding of "likelihood of confusion" when the finding rests upon inferences drawn from documentary evidence or undisputed facts is, according to one commentator, "indescribably confused." *See* C. Wright, *Law of Federal Courts* § 96, at 647 (4th ed. 1983). As a noted trademark treatise observes, there is a "split of opinion" on whether the clearly erroneous standard should be applied and, if so, to what issues. *See* 2 J. McCarthy, *Trademarks and Unfair Competition* § 23.22, at 111 (2d ed. 1984).[4] *Compare Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 377 (1st Cir. 1980) (standard of review is "clearly erroneous"); *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1355 (9th Cir. 1985) (same); *with Giant Food, Inc. v. Nation's Foodservice, Inc.*, 710 F.2d 1565, 1569 (Fed. Cir. 1983) (*de novo* review of "likelihood of confusion").

The Court should grant the writ of certiorari to resolve the conflict between the circuits over the proper scope of review of the "likelihood of confusion" factors and of the ultimate holding.

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[4]In 1982, Justice White, dissenting from the denial of petition for writ of certiorari, noted the split of authority. *See Elby's Big Boys, Inc. v. Frisch's Restaurants, Inc.*, 103 S.Ct. 231 (1982) (White, J., dissenting).

B. Sections 32(a) and 43(a) Of The Lanham Act, 15 U.S.C. §§ 1114(1) and 1125(a) and Section 87-302 of the Nebraska Uniform Deceptive Trade Practices Act are Unconstitutional As Enforced Against Noncommercial Speech.

1. Novak's trademark parody is noncommercial speech fully protected by the First Amendment.

Commercial speech is "expression related solely to the economic interests of the speaker and its audience." *Central Hudson Gas & Electric Corp. v. Public Service Commission of New York*, 447 U.S. 557, 561 (1980). It does no more than propose a commercial transaction. *Virginia State Board of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 748, 762 (1976). Novak's message regarding nuclear war, one of the most important issues of our day, could hardly be further from that definition. His speech was political. Novak's interests and the interests of his audience were not primarily economic. *See Friedman v. Rogers*, 440 U.S. 1 (1979) (optometrists' use of trade names was commercial speech).

Novak chose to express his message through parody. Such speech is no less protected by the First Amendment. As the Court noted recently, graphic depictions, satirical cartoons, and caricatures have long played a prominent role in public and political debate. *See Hustler Magazine v. Falwell*, 108 S.Ct. 876 (1988). *Accord L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 28 & 33 (1st Cir. 1987).

The same is true of this type of trademark parody. When a trademark is used as a vehicle for the communication of ideas, constitutional interests cannot be ignored. *See* R. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wis. L. Rev. 158. *See also* H. Dorsen, *Satiric Appropriation and the Law of Libel, Trademark, and Copyright: Remedies Without Wrongs*, 65 B.U.L. Rev. 923 (1985); Note, *Trademark Parody: A Fair Use and First Amendment Analysis*, 72 Va. L. Rev. 1079 (1986) ("Virginia Note"). Just as parodies using the names of famous people may make important political points, so too may parodies using the names of famous corporations make equally important points. *See*

L.L. Bean, Inc., 811 F.2d at 33. Given the power of trademarks and service marks in our modern society, it is not surprising that even public officials use them to illustrate their political arguments. *See* 811 F.2d at 28.

In *L.L. Bean, Inc.*, the court considered a sexually explicit parody of the well-known L.L. Bean catalogue. It found that the parody was noncommercial speech and was entitled to corresponding First Amendment protection. 811 F.2d at 32. The court held flatly that the First Amendment does not permit a trademark anti-dilution statute to regulate the unauthorized use of a trademark in an editorial or artistic context. *Id.* at 33. Similarly, in *Lucasfilm Ltd. v. High Frontier*, 622 F. Supp. 931 (D.D.C. 1985) (Gesell, J.), the use of the term "Star Wars" in political discourse regarding the Strategic Defense Initiative was held not to infringe the "Star Wars" trademark.

Here, inspired by, and using, the Mutual trademark, Novak created a powerful and meaningful message concerning nuclear war, the stability of society, Native Americans, and insurance. His speech is fully protected by the First Amendment.

2. The fact that Novak's message was printed on cloth rather than paper does not diminish its First Amendment protection.

The District Court enjoined Novak from using the "Mutant of Omaha" designation "to market, advertise, or identify" his "services or products," and also prohibited his use of any logo similar to Mutual's "Indian head" logo. A-20. The terms of the injunction appeared to prohibit Novak's use of the designation and logo not only on T-shirts, but also on any books, newspapers, magazines, or film which he might distribute.

While the Court of Appeals did not explicitly limit the terms of the injunction, it tacitly recognized that the First Amendment would not countenance enjoining Novak from using the designation and logo on or in books, magazines, or film. The Court of Appeals stated in footnote No. 8 that Novak may use the designation and logo "in other ways — such as in antinuclear pamphlets and the like . . . ." A-32.

While the Court of Appeals properly, if only implicitly, recognized that Novak's speech is constitutionally protected, the Court of Appeals' purported distinction between various media of expression — film and printing on paper, on the one hand, and printing on cloth, on the other hand — has no constitutional basis. Speech expressed on cloth is protected by the First Amendment. *See Cohen v. California*, 403 U.S. 15, 26 (1971) (wearing crude message on jacket is protected speech); *Spence v. Washington*, 418 U.S. 405, 415 (1974) (per curiam) (defacing American flag is protected speech). *See also Van Allsburg v. City of Kansas City*, 600 F. Supp. 1226, 1233–24 (W.D. Mo. 1984) (ordinance prohibiting sale of T-shirts containing political speech is unconstitutional); *Kelly v. United States Postal Service*, 492 F. Supp. 121, 128 (S.D. Ohio 1980) (T-shirts are a medium to express constitutionally protected speech).

A walk in any metropolitan area on a warm day demonstrates that T-shirts are now ubiquitous in our society as a medium of expression. It makes no difference for purposes of First Amendment analysis that Novak sold his T-shirts rather than giving them away. Expression in newspapers is protected even though few news companies give away their product. *See New York Times Co. v. Sullivan*, 376 U.S. 254, 266 (1964).

Over two hundred years ago, the Founders of our country expressed their ideas not only with paper pamphlets and newspapers, but also with cloth flags and uniforms. The Court should grant the writ to declare that today's political speakers may also express their ideas on either paper or cloth.

3. There is no compelling interest in enjoining noncommercial trademark parody such as Novak's.

The District Court entered an injunction limiting Novak's speech which the Court of Appeals affirmed. But noncommercial speech may be restricted only when there is a "compelling state interest." *New York Times Co. v. Sullivan*, 376 U.S. 254 (1964). "Any system of prior restraints of expression comes to this Court with a heavy presumption against its constitutional validity." *Nebraska Press Association v. Stuart*, 427 U.S. 539, 592 (1975). *See Near v.*

Minnesota, 283 U.S. 697, 716 (1931); *New York Times Co. v. United States*, 403 U.S. 713 (1971).

This Court has held that the federal government has a "substantial" interest in prohibiting certain non-authorized **commercial** speech which uses a certain trademark. *See San Francisco Arts & Athletics, Inc. v. United States Olympic Committee*, 97 L.Ed.2d 427 (1987) (Congressional grant of exclusive authority to one organization to use the word "Olympic" for commercial and promotional purposes not unconstitutional). But it has never held that government has a substantial, much less a compelling, interest in prohibiting noncommercial speech which uses trademarks.

It is conceivable that government has a compelling interest in regulating defamatory, obscene, or fraudulent noncommercial speech using trademarks. However, there is no compelling interest in suppressing speech such as Novak's, which was not defamatory, obscene, or fraudulent, and which did not even disparage Mutual's trademarks.[5] A "likelihood of confusion," standing alone, is not a sufficiently compelling interest to warrant a prior restraint on noncommercial speech.

Novak does not dispute that the government constitutionally may regulate confusing (or at least deceptive or misleading) commercial speech. *See Friedman v. Rogers*, 440 U.S. 1, 9–10 (1979). But prohibition of noncommercial speech as "confusing" is quite another matter. Confusion and misunderstanding as to the source of speech, or as to its meaning, are inherent in the political dialogue. In a nation where a significant percentage of the population does not even know who is President of the United States there will always be some minority who is confused about a political message. Undoubtedly some percentage of the Hustler Magazine readership took the Falwell parody as true, or even believed that Falwell had authorized it. But the possibility, or even the likelihood, of confusion about or the misunderstanding of political speech is no excuse for its suppression.

In this case, a "likelihood of confusion" was found based primarily on a survey which concluded that 10% of the public believed

[5]The District Court found for Novak on Mutual's trademark disparagement claim. A-19–20.

that Mutual "goes along" with Novak's T-shirts "in order to help make people aware of the nuclear war problem." Putting to one side the defects and ambiguities in such a survey, preventing this type of "confusion" as to the source of political speech is hardly compelling.

Thus, it is not surprising that neither the District Court nor the Court of Appeals performed any "compelling state interest" analysis.[6] Indeed, neither court even analyzed this case under the more relaxed formula which applies the First Amendment to restrictions on commercial speech. In *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562 (1977), this Court considered whether a television station could be restricted from broadcasting a "human cannonball" act. The Court identified three competing interests to be weighed: (1) the nature and extent of the owner's injury; (2) the speaker's interest; and (3) the public interest. If the *Zacchini* factors are applied here, it is apparent that Novak must prevail. Novak's speech has caused Mutual little injury to its limited property right in its name and logo. On the other hand, Novak has a strong interest in expressing his views, and the public has a strong interest in hearing his message concerning nuclear war.

The Court of Appeals suggested that the injunction could be justified on the ground that Novak has adequate alternative avenues to communicate his message. *See* A-31. But Novak has no alternative avenue to communicate his ideas because the injunction restricts

[6]As the Virginia Note states, "[b]ecause courts have decided the trademark parody cases within the changing and often poorly articulated framework of general trademark doctrine, a coherent approach to trademark parody has yet to crystallize." Virginia Note at 1092. Thus, some trademark parodies inexplicably are held to infringe and others are not. *Compare Reddy Communications, Inc. v. Environmental Action Found.*, 477 F.Supp. 936 (D.D.C. 1977) (take-off on "Reddy Kilowatt" figure found to infringe); *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F. Supp. 1183 (E.D.N.Y. 1972) ("Enjoy Cocaine" in Coca-Cola script found to infringe); *with University of Notre Dame Du Lac v. Twentieth-Century Fox Corp.*, 22 App. Div. 2d 452, 256 N.Y.S.2d 301 (N.Y. App.), *aff'd*, 15 N.Y.2d 940, 259 N.Y.S.2d 832 (1965) (parody of Notre Dame football team; no infringement); *Girl Scouts of the United States v. Personality Posters Mfg. Co.*, 304 F. Supp. 1228 (S.D.N.Y. 1969) (photo of pregnant Girl Scout with "Be Prepared" motto; no infringement); *General Mills, Inc. v. Henry Regnery Co.*, 421 F. Supp. 359 (N.D. Ill. 1976) ("Betty Cooker's Crock Book for Drunks"; no infringement).

the very words and symbols which he uses to speak. As Judge Heaney recognized in dissent, and the United States Court of Appeals for the First Circuit has stated, an injunction against trademark parody goes to the content of the speech, and not merely to the time, place, or manner of its delivery. A-37–38; *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26, 29 (1st Cir. 1987).

San Francisco Arts & Athletics, Inc. v. United States Olympic Committee, 97 L.Ed.2d 427 (1987), which held that a gay athletic group could avoid the protected term "Olympics" by use of the term "Gay Games", is not to the contrary. In that case, this Court found the petitioner's use of the term "Olympic" was not purely, or even primarily, expressive; it was commercial speech used merely to label an event similar in format to the Olympics. *Id.* at 448–51. The Court made clear that the statute should not be interpreted or applied to limit noncommercial speech. *Id.* at 448 n.15. The restriction on whatever expressive element the word "Olympic" contained was incidental.[7]

Here, Novak's parody based on "Mutual of Omaha" and its logo was expressive political speech. The primary purpose of the T-shirts was to disseminate Novak's message. The international element and the similarity between the parties' uses of the word present in *San Francisco Arts & Athletics* are absent from this case. Finally, it is virtually impossible to conceive of any comparable way Novak could have expressed his combination of ideas. "[T]he [Mutual of Omaha] trademark, which provided a ready-made set of ideas for the parodist to expand upon, was a uniquely powerful means of communication. . . . The parody set forth a rich collection of ideas." Virginia Note at 1114.

The Court should take this opportunity to articulate a constitutional framework for trademark parody: specifically, that such parody is noncommercial speech fully protected by the First Amendment; that it may be prohibited or enjoined only upon a showing of a compelling interest; and that, if the parody is not disparaging, fraudulent, libelous, or obscene, the government has no compelling interest in suppressing such constitutionally protected speech.

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[7]Further, the Court considered the broader public interest in promoting the international Olympic movement. *Id.* at 449.

4. At a minimum, to avoid the conflict between the First Amendment and Sections 32(a) and 43(a) of the Lanham Act and Section 87-302 of the Nebraska Uniform Deceptive Trade Practices Act as enforced against noncommercial speech, this Court should narrow the definition or applicability of the "likelihood of confusion" standard.

Novak believes that the conflict between the First Amendment and provisions of the Lanham Act and the Nebraska Trade Act as enforced against noncommercial speech may be irreconcilable. However, to avoid the constitutional conflict, the Court may wish to grant the writ to narrow the definition or applicability of the "likelihood of confusion" standard.

There are several courses open to the Court. First, the Court could construe Sections 32(a) and 43(a) of the Lanham Act as not extending to noncommercial speech. The original purpose of the Act was commercial: trademarks and service marks are to "identify and distinguish" the goods and services of "manufacturer[s] or merchant[s]." 15 U.S.C. § 1127 (definition of trademark and service mark). *See Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 198 (1985) (Lanham Act trademark provisions deal with "commercial" use of words to distinguish among "competing products"). The trademark parodist, however, acts only incidentally as a manufacturer or merchant, and parodies do not use trademarks as trademarks. The purpose of a trademark parody is not to identify and distinguish T-shirts **as goods**, but to convey a political message. The parody itself is the product. In the same way, one does not buy a morning newspaper for its paper; one buys it for the messages printed on the paper.

Second, the Court could exempt noncommercial use of trademarks from the Lanham Act and the Nebraska Trade Act by creating a judicial "fair use" defense, as at least one commentator has urged. *See* Virginia Note at 1099–1107. *Cf. Harper & Row, Publishers, Inc. v. Nation Enterprises, Inc.*, 471 U.S. 539 (1985) (discussion of fair use defense under Copyright Act).

Third, the Court could construe the term "likelihood of confusion" as applied to noncommercial speech to limit liability only to

cases where it is more probable than not that a reasonable person (using an objective test), or a majority of persons (using a subjective test), would be confused.

Even in cases involving commercial speech, there is no judicial consensus on the term "likelihood of confusion." There is disagreement both as to who the plaintiff must show is likely to be confused and how many such persons plaintiff must prove probably will be confused. "Courts have disagreed on the question of **how** likely consumer confusion must be to justify a finding of infringement. Courts have also characterized the relevant consumer population in many ways, with some viewing the consumer as prudent, skeptical, and not easily confused, and other envisioning a marketplace populated largely by gullible innocents." Virginia Note at 1084. Some cases involving noncommercial speech have held that confusion of even a small minority of consumers is sufficient to demonstrate a "likelihood." *See, e.g., James Burrough, Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266 (7th Cir. 1976) (15% confused); *RJR Foods, Inc. v. White Rock Corp.*, 603 F.2d 1058 (2d Cir. 1979) (15-20% confused). *See also Mushroom Makers, Inc. v. R.G. Barry Corp.*, 441 F. Supp. 1220, 1225 (S.D.N.Y. 1977) (relevant consumers are appreciable numbers of ordinarily prudent purchasers), *aff'd*, 580 F.2d 44 (2d Cir. 1978), *cert. denied*, 439 U.S. 1116 (1979). One commentator notes that this lack of uniformity about the standards for "likelihood of confusion" "contributes to the increasing difficulty that courts are experiencing in determining the merits of Lanham Act claims." *See* Comment, *Appellate Review of Lanham Act Violations: Is Likelihood of Confusion a Question of Law or Fact?*, 38 Sw. L. Rev. 743, 748 (1984).

Thus, if the Court is not inclined to construe the Lanham Act to exempt noncommercial speech, it should articulate a coherent standard for determining whether noncommercial speech is likely to confuse.

Fourth, the Court could require District Courts to apply a burden of proof standard stricter than that of the prevailing "preponderance of the evidence" standard. *See David Sherman Corp. v. Heublein, Inc.*, 340 F.2d 377 (8th Cir. 1965) (preponderance of evidence in trademark cases). When important First Amendment interests are implicated, a "clear and convincing evidence" burden

would be more appropriate. *Cf. Hustler Magazine v. Falwell*, 108 S.Ct. 876 (1988) (actual malice standard used in libel cases to provide adequate "breathing space" for First Amendment).

Finally, as suggested above, the Court could hold that in cases of noncommercial trademark use the District Court's findings will be reviewed *de novo*. *Cf. Bose Corp. v. Consumers Union of United States, Inc.*, 466 U.S. 485, 508-11 (1984) (review of trial court's findings on actual malice not limited to "clearly erroneous" standard).

CONCLUSION

For the foregoing reasons, this Court should grant the Petition for a Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit.

Respectfully submitted,

* Robert Lewis Barrows
David L. Lillehaug
Gregory C. Brown

Suite 1500
100 South Fifth Street
Minneapolis, Minnesota 55402
Telephone: (612) 337-1500

Counsel for Petitioner

Of Counsel:

Warren C. Schrempp
Schrempp, Gross & Salerno
Inns of Court Building
617 North 90th Street
Omaha, Nebraska 68144
Telephone: (402) 391-7131

* Counsel of Record

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APPENDIX A

MUTUAL OF OMAHA INSURANCE COMPANY,
a Nebraska corporation,

Plaintiff,

v.

FRANKLYN NOVAK,
an individual,

Defendant.

No. CV. 84-0-581

United States District Court for the
District of Nebraska

In accordance with the Court's memorandum opinion entered this date,

IT IS HEREBY ORDERED that defendant, his officers, agents, servants, employees and attorneys, and all those persons in active concert or participation with defendant, be preliminary enjoined and restrained from:

1) Using the designations "Mutant of Omaha," "Mutant Kingdom," and "Mutant of Omaha's Mutant Kingdom," alone or in combination with other words, as a trademark, tradename component, or otherwise, to market, advertise, or identify defendant's services or products;

2) Using the trademark "Mutual of Omaha," or any confusingly similar designation alone or in combination with other words, as a trademark, tradename, component or otherwise, to market, advertise, or identify defendant's services or products; and

3) Using a logo which is confusingly similar to the "Indian head" logos of plaintiff.

IT IS FURTHER ORDERED that defendant shall file with this Court and serve on plaintiff within thirty days after receipt of service of this injunction, a report in writing under oath setting forth in detail the manner and form in which defendant has complied with the preliminary injunction.

IT IS FURTHER ORDERED that plaintiff shall file in the office of the Clerk of this Court a bond approved by the Clerk in the amount of $20,000, by which plaintiff shall undertake and agree that if it is finally determined that this order should not have been issued, plaintiff will pay defendant such damages, up to the aforesaid amount, as defendant may have suffered by the issuance of this order.

IT IS FURTHER ORDERED that this injunction shall be effective immediately upon receipt of this order by defendant.

BY THE COURT:

Judge, United States District Court

APPENDIX B

MUTUAL OF OMAHA INSURANCE COMPANY,
a Nebraska corporation,

Appellee,

v.

FRANKLYN NOVAK,
an individual,

Appellant.

No. 85-1019.

United States Court of Appeals,
Eighth Circuit.

Submitted June 10, 1985.

Decided Oct. 16, 1985.

Warren C. Schrempp, Omaha, Neb., for appellant.

Dennis L. Thomte, Omaha, Neb., for appellee.

Before LAY, Chief Judge, JOHN R. GIBSON, Circuit Judge, and PHILLIPS, Senior Circuit Judge.

JOHN R. GIBSON, Circuit Judge.

Franklyn Novak appeals from a preliminary injunction forbidding him from violating the Lanham Act, 15 U.S.C. §§ 1114 and 1125(a) (1982), by marketing T-shirts, mugs and other products prominently featuring the words "Mutant of Omaha" and "Mutant

Kingdom" and bearing a logo resembling the Indianhead logo used by Mutual of Omaha Insurance Company. He argues that there was no confusion or likelihood of confusion as to the origin of the T-shirts and mugs, that Mutual has not sustained irreparable injury, that his activities were political comments on an issue of national concern protected by the first amendment and, finally, that the products were good faith parody and satire and thus not a violation of the Lanham Act. We conclude that the district court did not abuse its discretion in granting the preliminary injunction but remand to the district court for early disposition of the case on the merits.

Mutual of Omaha is a Nebraska corporation involved in the insurance business and has used that name since 1944. In 1952 it obtained a trademark registration for its Indianhead logo containing the words "Mutual of Omaha". In 1973 and 1978 Mutual of Omaha obtained trademark registration for the service mark "Wild Kingdom" and "Mutual of Omaha's Wild Kingdom" to be used in connection with a wildlife television program.

In April 1983 Novak, an artist, produced a design using the words "Mutant of Omaha". The design, as found by the district court, utilized "an accompanying logo depicting a side view of a war bonneted and emaciated human face". The design initially was placed on T-shirts but later also on sweatshirts, caps, buttons and coffee mugs. In the spring of 1984 Novak produced designs using the words "Mutant Kingdom" and "Mutant of Omaha's Mutant Kingdom" and an accompanying logo depicting a one-eyed tiger. With these designs he often used the phrase "Nuclear Holocaust Insurance" or Sponsored by Mutant of Omaha Nuclear Insurance Company."

Novak actively marketed these items to the public and they were wholesaled to retail shops and offered for sale at exhibitions and fairs. He has advertised on television, newspaper, and in magazines, and has sold the items to the general public through an unincorporated company called "Mutants of Omaha." The district court observed that he marketed the products "primarily as vehicles for expressing opposition to nuclear arms." *Mutual of Omaha Ins. Co. v. Novak,* Civ. 84-0-581 Mem.Op. at 11 (D.Neb. Nov. 30, 1984).

Mutual uses its trademarks and logos on T-shirts, sweat shirts, caps, coffee mugs, and label patches. They are not sold to the general public but are offered for sale to agents and company representatives who in turn use them as gifts or incentives.

Mutual brought this infringement action claiming violation of the Lanham Act and the Nebraska Uniform Deceptive Trade Practices Act. The district court reached only the Lanham Act issues in granting the preliminary injunction. The court's inquiry faithfully followed the four part analysis set forth in *Dataphase Systems, In. v. C.L. Systems, Inc.*, 640 F.2d 109 (8th Cir. 1981), in which we recited the standard by which to determine whether a preliminary injunction should issue. In *Dataphase* we held that in determining whether to issue a preliminary injunction a court will consider (1) the threat of irreparable harm to the movant; (2) the probability that the movant will succeed on the merits, (3) the state of balance between this harm and harm to other interested parties; and (4) the effect on public interest. *Id.* at 112, 114.

Applying the *Dataphase* approach with close regard to our decision in *Squirt Co. v. 7-Up Co.*, 628 F.2d 1086, 1090–91 (8th Cir. 1980), the district court found that Mutual had made a substantial showing of probable success on the merits. In its analysis the court considered the strength and validity of Mutual's trademarks, and the similarity between the trademark and Novak's design. The court also noted at least four incidents in which mail addressed to "Mutants of Omaha" was delivered to Mutual. In conclusion the court stated:

> [P]laintiff's strong and distictive trademarks, the extensive and obvious similarity between plaintiff's marks and defendant's designs, defendant's intent to associate his products with plaintiff, and the relevance of the other factors to the extent that they are applicable, all weigh in favor of likelihood of confusion. Therefore, the Court finds that plaintiff has shown a probability of success on the merits of its Lanham Act claims.

Mutual of Omaha Ins. Co. v. Novak, Civ. 84-0-581, Mem.Op. at 14 (D.Neb. Nov. 30, 1984). Having found that Novak's conduct created a likelihood of confusion between his design and Mutual's

trademark, the court concluded that a threat of irreparable injury was present. Without a preliminary injunction, the court concluded, the confusion likely to be generated by defendant's designs "could injure plaintiffs valuable business reputation and goodwill and constitutes harm that is irreparable." *Mutual of Omaha Ins. Co.*, Mem.Op. at 15.

The district court rejected Novak's argument that its designs were speech protected by the first amendment. The court noted that the first amendment does not entitle an individual to infringe on a trademark. *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206 (2d Cir. 1979) (fact that defendant's movie may convey a message does not entitle them to appropriate plaintiff's trademark); *Accord, Coca-Cola Company v. Gemini Rising, Inc.*, 346 F.Supp. 1183, 1192-93 (E.D.N.Y. 1972). The court further noted that Mutual's property interest in its trademark need not "yield to the exercise of first amendment rights under circumstances where adequate alternative avenues of communication exist." Mem.Op. at 13, *Mutual of Omaha Ins. Co. v. Novak* (quoting *Lloyd Corporation v. Tanner*, 407 U.S. 551, 92 S.Ct. 2219, 33 L.Ed.2d 131 (1972)). The court concluded that Novak had alternative means through which to communicate his message.

Turning to the third step in the *Dataphase* analysis, the court balanced Novak's need for a medium through which to express his views against the potential threat to Mutual's business. The court found that Mutual faced substantial and potentially irreparable injury to its business reputation and goodwill. Having found that Novak had alternative means through which to express his views, the court concluded that the balance of equities favored Mutual.

The court also rejected Novak's argument that his designs were good faith parodies and not subject to the Lanham Act. The court held that a validly established trademark may be protected from ridicule which rises to the level of infringement of the mark. *Gucci Shops, Inc. v. R.H. Macy & Co., Inc.*, 446 F.Supp. 838, 840 (S.D.N.Y. 1977). Finally, the court refused to find that the defense of laches barred Mutual's right to a preliminary injunction. The court found that, on the facts of this case, Mutual's one year delay in bringing its suit for infringement was insufficient to create a defense of laches. In conclusion, the court found that the public

interest in avoiding confusion in the market due to trademark infringement weighs in favor of issuing injunctive relief for Mutual. Based on these findings, Novak was temporarily enjoined from using these designs pending a trial on the merits of the case.

Novak appealed and sought stays of the injunction in both the district court and this court, which were denied. He argued that the preliminary injuction should be vacated because the evidence was grossly insufficient under the Lanham Act to support injunctive relief. He argues that there is no evidence establishing actual confusion or likelihood of confusion, or irreparable injury. He concludes that where such evidence is lacking his first amendment rights must prevail. He further argues that the products were a legitimate parody and are protected as fair comment.

Our role in cases such as this one is limited. We have said "review of a grant or denial of preliminary relief is limited to determining whether the district court abused its discretion." *Hiland Potato Chip Co. v. Culbro Corp., et al.*, 671 F.2d 1190 (8th Cir. 1982) (quoting *Minnesota Ass'n of Health Care Facilities, Inc. v. Minnesota Department of Public Welfare*, 602 F.2d 150, 152 (8th Cir. 1973)).

So considered, we cannot reverse the order of the district court. It carefully analyzed the facts before it and balanced the equities under the standards set out in *Dataphase*. We have set out in some detail above the court's reasoning and analysis. Its analysis of the critical issue, the likelihood of success on the merits, involved careful consideration of the applicable law. We cannot conclude from the record that any of its findings of fact are clearly erroneous. Under these circumstances we cannot conclude that there is an abuse of discretion.

We need not devote further discussion to this case. The appeal is on a preliminary injunction and it must be tried on the merits. At that time findings of fact will be made, legal conclusions reached and a final determination entered. Our review of the merits must, and appropriately should, await the fuller development of the record. Accelerated disposition of this case is desirable. The preliminary injunction shall remain in effect until such time as the district court issues its further ruling. We remand the case and request that the district court give it priority.

APPENDIX C

MUTUAL OF OMAHA INSURANCE COMPANY,
a Nebraska corporation,

Plaintiff,

v.

FRANKLYN NOVAK,
an individual,

Defendant.

No. CV. 84-0-581

United States District Court for the
District of Nebraska

In accordance with the Court's memorandum opinion entered contemporaneously herewith,

IT IS HEREBY ORDERED as follows:

1. That judgment should be and hereby is entered in favor of plaintiff Mutual of Omaha Insurance Co. and against defendant Franklyn Novak as set forth in the accompanying memorandum.

2. That defendant, his officers, agents, servants, employees and attorneys, and all those persons in active concert or participation with defendant, should be and hereby are permanently enjoined and restrained from:

a. Using the designations "Mutant of Omaha," "Mutant Kingdom," and "Mutant of Omaha's Mutant Kingdom," alone or in combination with other words, as a trademark, tradename component, or otherwise, to market, advertise, or identify defendant's services or products;

b. Using the trademark "Mutual of Omaha," or any confusingly similar designation alone or in combination with other words, as a trademark, tradename, component or otherwise, to market, advertise, or identify defendant's services or products; and

c. Using a logo which is confusingly similar to the "Indian head" logos of plaintiff.

Dated this 26th day of November, 1986.

BY THE COURT:

C. Arlen Beam, Chief Judge
United States District Court

APPENDIX D

MUTUAL OF OMAHA INSURANCE COMPANY,
a Nebraska corporation,

Plaintiff,

v.

FRANKLYN NOVAK,
an individual,

Defendant.

No. CV 84-0-581.

United States District Court,
D. Nebraska.

Nov. 26, 1986.

Dennis L. Thomte, Omaha, Neb., for plaintiff.

Peter J. Hoagland, Warren C. Schrempp, Omaha, Neb., for defendant.

BEAM, Chief Judge.

This matter is before the Court for decision on the merits following trial to the Court. Plaintiff Mutual of Omaha Insurance Company ("Mutual") filed this suit against Franklyn Novak alleging trademark infringement under 15 U.S.C. §§ 1114(1) and 1125(a) (the Lanham Act), violations of *Neb.Rev.Stat.* § 87-302 (Reissue 1981) (the Nebraska Uniform Deceptive Trade Practices Act), common-law trademark infringement, and trademark disparagement. On November 30, 1984, this Court issued a preliminary injunction (filing 19) prohibiting the defendant from marketing T-shirts, coffee

mugs and other products featuring the words "Mutant of Omaha" or "Mutant Kingdom" and bearing a logo resembling the Indian-head logo used by Mutual. Issuance of the preliminary injunction was subsequently affirmed by the United States Court of Appeals for the Eighth Circuit. *Mutual of Omaha Ins. Co. v. Novak,* 775 F.2d 247 (8th Cir. 1985). Having now considered the evidence, the arguments and authorities advanced by the parties, and the record, the Court finds in favor of the plaintiff and against the defendant on all plaintiff's claims except trademark disparagement. This memorandum shall constitute the Court's findings of fact and conclusions of law pursuant to *Fed.R.Civ.P.* 52.

FACTS

Plaintiff is a Nebraska corporation engaged since 1944 in the business of insurance sales. Its premium income in 1983 amounted to over 1½ billion dollars. Beginning in 1952, plaintiff acquired various trademark registrations for marks used in connection with its insurance services and a wildlife television program which it sponsors. Principal variations of these marks are pictured below.

Mutual of Omaha.

Mutual of Omaha's
WILD KINGDOM

Wild Kingdom

In April of 1983, defendant Novak produced a design using the words "Mutant of Omaha" and an accompanying logo depicting a side view of a war-bonneted and emaciated human face. The design was initially placed on T-shirts in conjunction with the phrase "Nuclear Holocaust Insurance" or "Sponsored by Mutant of Omaha Nuclear Holocaust Insurance Co." The reverse side of the shirts read "When the world's in ashes we'll have you covered." Novak marketed approximately 4000 of these T-shirts in various styles. He has also utilized the design on a more limited number of sweatshirts, caps, buttons and coffee mugs. In the spring of 1984, Novak produced another design, this time using the words "Mutant Kingdom" or "Mutant of Omaha's Mutant Kingdom" with an accompanying logo depicting a cyclops-type, one-eyed tiger. The design has been affixed to similar types of merchandise, although sold in lesser quantities. The principal variations of Novak's designs are set out below.

Novak actively marketed these items to the public at retail shops, exhibitions and fairs through an unincorporated company called "Mutants of Omaha". He has advertised on television, in newspapers and in magazines.

While Mutual's business endeavors are devoted principally to the sale of insurance, Mutual does use its trademarks and logos on T-shirts, sweatshirts, caps, mugs and patches. These items are offered for sale to agents and company representatives who use them as gifts or incentives to prospective or actual customers. Mutual does not market these items to the general public.

In this lawsuit, Mutual claims that Novak's use of his various designs operates to infringe and disparage Mutual's registered trademarks. In response, Novak argues that there exists no likelihood of confusion in the minds of the consuming public as to the origin or sponsorship of the T-shirts and other items. Novak also claims that his activities amount to political comment on an issue of national concern protected by the first amendment and that the products are good faith parody and satire which are not actionable under the trademark laws.

LAW

A. Trademark Infringement

In addition to common law trademark infringement, Mutual alleges that Novak has violated several different statutes. Under the Lanham Act, Mutual's first claim falls under 15 U.S.C. § 1114(1), which provides that it is trademark infringement to:

> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counter-

> feit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

Mutual also alleges that Novak has engaged in unfair competition in violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). That section prohibits as unfair competition the use in interstate commerce of any "false designation of origin, or any false description or representation, including words or symbols tending falsely to describe or represent the same. . . ." *Id.*

Finally, Mutual alleges violations of the Nebraska Uniform Deceptive Trade Practices Act, Neb.Rev.Stat. § 87-301 *et seq.* (Reissue 1981). The Act prohibits a broad panoply of deceptive trade practices, including confusing customers as to the origin of goods or services. *Id.* at § 87–302. *See Midway Manufacturing Co. v. Dirkschneider,* 571 F.Supp. 282 (D.Neb. 1983).

For the purposes of this case, the elements of all of these various infringement claims are the same. *See Bi-rite Enterprises Inc. v. Button Master,* 555 F.Supp. 1188, 1192 (S.D.N.Y. 1983). Mutual must show that it owns a protectible trademark and that Novak has used, in commerce, a similar mark that is likely to cause confusion as to the source of Novak's goods or the involvement or association of Mutual in Novak's business. Here, the fact that Mutual owns federally registered trademarks which have been used in interstate commerce has not been contested. Thus, as in most trademark infringement cases, plaintiff's showing of a "likelihood of confusion" is the gravamen of its claim.
See WSM, Inc. v. Hilton, 724 F.2d 1320 (8th Cir. 1984); *Vitek Systems, Inc. v. Abbott Laboratories,* 675 F.2d 190 (8th Cir. 1982); *Squirtco v. Seven Up Co.,* 628 F.2d 1086 (8th Cir. 1980).

Several factors have been identified by the Eighth Circuit which are to be considered in determining whether there exists a likelihood of confusion. The essential inquiry is whether the defendant's design so resembles the registered mark that its use is likely to cause

confusion as to product source, sponsorship or affiliation. *W.S.M. Co. v. Hilton,* 724 F.2d at 1329. The Court must examine:

> 1) The strenghth of plaintiff's trademarks;
> 2) The similarity between plaintiff's marks and defendant's designs;
> 3) The competitive proximity of the products on which the marks and design are used;
> 4) Defendant's intent to pass off its goods as plaintiff's product;
> 5) Incidents of actual confusion; and
> 6) The type of product, its costs and the conditions of purchase.

Squirtco v. Seven Up Co., 628 F.2d at 1090–91. *See Polaroid Corp. v. Polorad Electronics,* 287 F.2d 492, 495 (2d Cir.), *cert. denied,* 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961). A review of each of these factors reveals that a likelihood of confusion does exist between Novak's design and Mutual's registered trademarks.

The strength of Mutual's trademarks is not disputed by Novak. Mutual has spent in excess of $150 million over the past ten years in the advertisement and promotion of its services. Its trademarks are widely exposed to the public on a frequent basis. A strong and distinctive mark such as Mutual's is entitled to greater protection. *Squirtco v. Seven Up Co.,* 628 F.2d at 1091.

Analysis of the second factor, the similarity of the two marks, is based on an examination of the marks and designs as a whole, including visual impression. *Id.* at 1091. The degree of similarity is judged by comparing the marks, not side-by-side, but as they appear in the marketplace. *See Vitek Systems, Inc. v. Abbott Laboratories,* 675 F.2d 190, 192 (8th Cir. 1982). It is not necessary for this court to find that the names and logos are exactly the same. Similarities weigh more heavily than differences. *Id.* There may be infringement where the substantial and distinctive part of the trademark is copied or imitated. *David Sherman Corp. v. Heublin, Inc.,* 340 F.2d 377, 380 (8th Cir. 1965).

A comparision of Mutual's trademarks with Novak's designs leaves little doubt that they are very similar. The lettering styles are identical, the Indian head logo depicts the same side view of a

war-bonneted head and the substitution of "Mutant" for "Mutual" is confusing and suggestive especially upon a brief glance. Novak, in fact, testified that he used Mutual's marks as a guide in creating his designs. While there are differences that can be pointed out in a side-by-side comparison, on the whole the name and logo create a substantially similar concept, image and feel which the Court finds is likely to create confusion as to source, affiliation or sponsorship on the part of consumers. *Cf Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.*, 625 F.Supp. 48, 56 (D.N.M. 1985).

The next factor is the competitive proximity of the products. It is clear that Mutual uses its marks primarily in connection with insurance and entertainment services. While Mutual also places its marks on a variety of items such as T-shirts, coffee mugs and label patches, there was no evidence that these items are marketed directly to the public for profit. There is little, if any, direct competition between the parties. The Court notes, however, that infringement may be found in the absence of direct competitive proximity. *Squirtco v. Seven Up Co.*, 628 F.2d at 1091. *See Hallmark Cards, Inc. v. Hallmark Dodge, Inc.*, 634 F.Supp. 990, 999 (W.D.Mo. 1986); *Coca-Cola Co. v. Gemini Rising, Inc.*, 346 F.Supp. 1183 (E.D.N.Y. 1972).

The intent of an alleged infringer may raise an inference of a likelihood of confusion. *Squirtco v. Seven Up Co.*, 628 F.2d at 1093. *See Emerson Electric v. Emerson Quiet Kool Corp.*, 577 F.Supp. 668, 678 (E.D.Mo. 1983). There is little question that the success of Novak's design depends upon consumer knowledge and recognition of Mutual's trademarks. Novak did consciously attempt to use Mutual's established name and logo to draw attention to the message portrayed by his products.

In this regard, Novak argues that his design is merely a parody or satire of Mutual's marks, and must resemble Mutual's design to be successful. Parody is not an affirmative defense to a trademark infringement claim, as Novak contends, but is merely one way of arguing that consumers are not likely to be confused as to source of sponsorship. A true parody actually decreases the likelihood of confusion because the effect of the parody is to create a distinction in the viewer's mind between the actual product and the joke. While a parody must call to mind the actual product to be successful, the same success also necessarily distinguishes the parody from the actual product. *See* 2 J. McCarthy, *Trademarks and Unfair Competition*, § 31.38 (2d Ed. 1984).

Examples of parody can be found in *Tetley, Inc. v. Topps Chewing Gum, Inc.*, 556 F.Supp. 785 (E.D.N.Y. 1983) and *Girl Scouts of the United States of America v. Personality Posters Mfg. Co.*, 304 F.Supp. 1228 (S.D.N.Y. 1969). *Tetley* involved the sale of "Wacky Packs" stickers, a series of 120 stickers satiricall depicting various consumer products. The makers of Tetley Tea objected to the sticker depicting "Petley" tea, a box of "40 flea bags" made with "Orange Pekingese Fleas". The sticker pictured a sitting dog scratching fleas with its hind leg. In *Girl Scouts*, suit was brought over a poster depicting a pregnant woman in a girl scout uniform next to a tradition scout slogan—"Be Prepared". The Court finds these cases to be factually distinguishable from the case at bar. In both *Tetley* and *Girl Scouts*, the parody was so obvious and heavy handed that a clear distinction was preserved in the viewer's mind between the source of the actual product and the source of the actual product and the source of the parody. Here, the alleged parody is less obvious. While Novak's design may indeed amount to a satire of the plaintiff, it does not create a clear distinction as to the source of the message. The attempted parody does not, in this case, dispel the likelihood of confusion created by the substantially similar design employed by the defendant. *See Gucci Shops, Inc. v. R.H. Macy & Co., Inc.*, 446 F.Supp. 838 (S.D.N.Y. 1977).

The next factor involves the existence of actual confusion. While evidence of actual confusion is not essential to a finding of infringement, it is positive proof of a substantial likelihood of confusion. *Squirtco v. Seven Up Co.*, 628 F.2d at 1091. At trial, Mutual introduced the results of a survey conducted by Sorenson Marketing and Management Corporation of New York, New York (Plaintiff's Exhibit 49). A total of 400 persons over the age of 21 were interviewed at random at shopping malls in New York, Denver, Chicago and San Francisco. They were shown a "Mutant of Omaha" T-shirt and asked several questions about it. Approximately 42% of those surveyed said that Mutual of Omaha or the Mutual of Omaha logo came to mind upon being shown the T-shirt. Of those who thought of Mutual, 25% said that Mutual "goes

along" with the T-shirts "in order to help make people aware of the nuclear war problem". In other words, 10% of the total surveyed thought that Mutual goes along with Novak's product.

Novak has challenged the results of this survey on several grounds and has introduced the testimony of several retailers who actually sold Novak's products. Each testified that no one who actually purchased the products became confused as to their origin. While the Court agrees that the phrase "goes along with" may be slightly ambiguous, the Court finds the survey to be credible evidence of a likelihood of confusion as to source of sponsorship. The results of the survey indicate that potential consumers of insurance products are likely to be confused upon a viewing of Novak's design. The survey shows that a significant number of people equate Mutual with the message on Novak's shirts. That is precisely what the trademark laws are intended to avoid.

The final factor involves the type of product being sold by the defendant, its cost and the conditions of its purchase. These characteristics are relevant in that a high degree of buyer sophistication may reduce the likelihood of confusion which might otherwise exist. The Court is unpersuaded that consumers, or those who simply view Novak's design, exercise a high degree of care or thought so that they will distinguish Mutual from the message on the products. The Court notes that defendant has made no effort to include something on his products which would eliminate any link which a consumer may make between Mutual and Novak's message. Buyer sophistication does not reduce the likelihood of confusion on these facts.

Based on a consideration of the foregoing Squirtco factors, the Court concludes that Novak has infringed upon Mutual's trademarks in violation of federal and state law. Novak's design creates a likelihood of confusion as to source or sponsorship in the minds of potential consumers.

In defense of this claim, Novak relies on the First Amendment. He argues that his designs amount to political comment, expressing his opposition to the build-up and use of nuclear weapons which may result in nuclear holocaust and world-wide destruction. While the Court recognizes Novak's right to express his views, such a right must in this case be balanced against the rights of Mutual to protection of its trademark. Mutual's trademarks are property rights, and as such "need not yield to the exercise of First Amendment rights under circumstances where adequate alternative avenues of communication exist." *Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206, *quoting Lloyd Corp. v. Tanner*, 407 U.S. 551, 567, 92 S.Ct. 2219, 2228, 33 L.Ed.2d 131 (1972). There are numerous ways in which Novak may express his aversion to nuclear war without infringing upon a trademark in the process. Just as Novak may not hold an anti-nuclear rally in his neighbor's backyard without permission, neither may he voice his concerns through the improper use of Mutual's trademark. Under these facts, the First Amendment provides no defense. *See Walt Disney Productions v. Air Pirates*, 581 F.2d 751, 758-59 (9th Cir. 1978); *Reddy Communications, Inc. v. Environmental Action Foundation*, 199 U.S.P.Q. 630, 634 (D.D.C. 1977).

B. Trademark Disparagement

Mutual has also alleged that Novak's designs operate to disparage Mutual's trademarks. Trademark disparagement can be found where the defendant has used the same or a confusingly similar mark in a way that creates an undesirable, unwholesome or unsavory mental association with the plaintiff's mark. *See Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831 (6th Cir. 1983); *Toho Co. v. Sears, Roebuck & Co.*, 645 F.2d 788 (9th Cir. 1981); *Dallas Cowboy Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200 (2d Cir. 1979).

In the case at bar, Novak's design might be considered to be in poor taste by some consumers. However, it is not likely to create in the mind of consumers a particularly unwholesome, unsavory, or degrading association with Mutual's name and marks. The Court finds that there is no likelihood of trademark disparagement in this case. *See Jordache Enterprises, Inc. v. Hogg Wyld, Ltd.*, at 57.

In summary, the Court finds in favor of Mutual and against Novak on Mutual's trademark infringement claims under 15 U.S.C. §§ 1114 and 1125, the common law of unfair competition and the Nebraska Uniform Deceptive Trade Practices Act. The Court finds

in favor of Novak and against Mutual on Mutual's trademark disparagement claim.

The Court shall, in an accompanying order, enter a permanent injunction against Novak in accordance with this memorandum. In addition to injunctive relief, Mutual seeks damages, costs and attorney fees. Because the parties sell noncompeting goods, and because the Court is satisfied that the injunction will satisfy the equities of this case, no further award shall be made. *See Sweetarts v. Sunline, Inc.*, 436 F.2d 705, 712 (8th Cir. 1971).

ORDER

In accordance with the memorandum opinion entered contemporaneously herewith,

IT IS ORDERED as follows:

1. That judgment should be and hereby is entered in favor of plaintiff Mutual of Omaha Insurance Co. and against defendant Franklyn Novak as set forth in the accompanying memorandum.

2. That defendant, his officers, agenst, servants, employees and attorneys, and all those persons in active concert or participation with defendant, should be and hereby are permanently enjoined and restrained from:

   a. Using the designations "Mutant of Omaha," "Mutant Kingdom," and "Mutant of Omaha's Mutant Kingdom," alone or in combination with other words, as a trademark, tradename component, or otherwise, to market, advertise, or identify defendant's services or products;

   b. Using the trademark "Mutual of Omaha," or any confusingly similar designation alone or in combination with other words, as a trademark, tradename, component or otherwise, to market, advertise, or identify defendant's services or products; and

   c. Using a logo which is confusingly similar to the "Indian head" logos of plaintiff.

APPENDIX E

MUTUAL OF OMAHA INSURANCE COMPANY,
a Nebraska corporation,
Appellee/Cross-Appellant,

v.

FRANKLYN NOVAK,
an individual,
Appellant/Cross Appellee.

No. 87-1042/43NE

United States Court of Appeals
For the Eighth Circuit

Appeal from the United States District Court
for the District of Nebraska
No. CV. 84-0-581

This appeal from the United States District Court was submitted on the record of the district court, briefs of the parties and was argued by counsel.

After consideration, it is ordered and adjudged that the judgment of the district court in this cause be affirmed in accordance with the opinion of this Court.

December 30, 1987

APPENDIX F

MUTUAL OF OMAHA INSURANCE COMPANY,
a Nebraska corporation,

Appellee,

v.

FRANKLYN NOVAK,
an individual,

Appellant.

MUTUAL OF OMAHA INSURANCE COMPANY,
a Nebraska corporation,

Appellant,

v.

FRANKLYN NOVAK,
an individual,

Appellee.

Nos. 87-1042, 87-1043

United States Court of Appeals,
Eighth Circuit.

Submitted Sept. 4, 1987.

Decided Dec. 30, 1987.

Rehearing and Rehearing En Banc
Denied Feb. 17, 1988.

Warren C. Schrempp, Omaha, Neb., for appellant.

Dennis L. Thomte, Omaha, Neb., for appellee.

Before HEANEY, Circuit Judge, ROSS, Senior Circuit Judge, and BOWMAN, Circuit Judge.

BOWMAN, Circuit Judge.

Mutual of Omaha Insurance Company (Mutual) brought suit against Franklyn Novak (Novak) alleging trademark infringement and trademark disparagement. The District Court found for Mutual on the infringement issue[1] and granted a permanent injunction, but rejected the disparagement claim. Novak appeals the decision concerning infringement and Mutual appeals the disparagement decision. We affirm the District Court's infringement decision and do not reach the disparagement issue.[2]

Beginning in 1952, Mutual acquired trademark registrations for marks used in connection with its insurance services and a television program it sponsors. These marks include the familiar "Indian head" logo and the designations "Mutual of Omaha" and "Mutual of Omaha's Wild Kingdom."

In 1983 Novak produced a design reminiscent of the Mutual marks. It uses the words "Mutant of Omaha" and depicts a side view of a feather-bonneted, emaciated human head. Novak initially put the design on T-shirts along with the words "Nuclear Holocaust Insurance." Novak marketed approximately 4000 of these shirts

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[1]Mutual claimed violations of the Lanham Act, 15 U.S.C. §§ 1114(1) and 1125(a), the Nebraska Uniform Deceptive Trade Practices Act, Neb.Rev.Stat. § 87-302 (Reissue 1981), and the common law. The District Court considered the elements of each of these claims to be the same, with each turning on the same infringement issue. The parties raise no claim of error in this regard.

[2]We do not find it necessary to reach Mutual's disparagement claim. Deciding this issue would not affect the remedy already obtained under the infringement claim. "It is a uniform course of appellate review procedure to decline to review questions not necessary to a decision by an appellate court." *Hutchinson Utils. Comm'n v. Curtiss-Wright Corp.*, 775 F.2d 231, 238 (8th Cir. 1985) (quoting *Highland Supply Corp. v. Reynolds Metals Co.*, 327 F.2d 725, 729 (8th Cir. 1964)).

before Mutual obtained a preliminary injunction. He also had the design placed on sweatshirts, caps, buttons, and coffee mugs, which he has offered for sale at retail shops, exhibitions, and fairs. Novak also has advertised such merchandise on television and in newspapers and magazines.

After a trial on the merits of Mutual's claims, the District Court ruled that Novak had infringed Mutual's trademarks. The District Court found that Novak's use of the design created a likelihood of confusion as to Mutual's sponsorship of or affiliation with Novak's merchandise, and therefore held such use to be in violation of both federal and state law. Accordingly, the District Court permanently enjoined Novak from advertising or marketing T-shirts, coffee mugs, and other products featuring the designations "Mutant of Omaha," Mutant Kingdom," and "Mutant of Omaha's Mutant Kingdom," or confusingly similar designations, and also permanently enjoined Novak from using as a logo a design confusingly similar to Mutual's "Indian head" logo.

Like most trademark cases, this case revolves around the "likelihood of confusion" issue. *See, e.g., WSM, Inc. v. Hilton*, 724 F.2d 1320 (8th Cir. 1984); *Vitek Sys., Inc. v. Abbott Laboratories*, 675 F.2d 190 (8th Cir. 1982); *SquirtCo v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980). Specifically, the ultimate issue here is whether Novak's design so resembles Mutual's marks that it is likely to cause confusion among consumers as to whether Mutual has sponsored, endorsed, or is otherwise affiliated with the design. *See Jordache Enters. v. Hogg Wyld, Ltd.*, 828 F.2d 1482, 1484 (10th Cir. 1987); *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 388 (5th Cir. 1977). Likelihood of confusion is a question of fact. *WSM, Inc.*, 724 F.2d at 1329; *Vitek Sys.*, 675 F.2d at 192; *SquirtCo*, 628 F.2d at 1091; *Armstrong Cork Co. v. World Carpets, Inc.*, 597 F.2d 496, 501 (5th Cir.), *cert. denied*, 444 U.S. 932, 100 S.Ct. 277, 62 L.Ed.2d 190 (1979). Thus, we can set aside the District Court's finding of a likelihood of confusion only if it is clearly erroneous. *Anderson v. City of Bessemer City*, 470 U.S. 564, 573, 105 S.Ct. 1504, 1511, 84 L.Ed.2d 518 (1985); *Rogers v. Masem*, 788 F.2d 1288, 1292 (8th Cir. 1985); *WSM, Inc.*, 724 F.2d at 1329; *Vitek Sys.*, 675 F.2d at 192; *SquirtCo*, 628 F.2d at 1091; Fed. R.Civ.P. 52(a). It is possible that we would reach a

conclusion different from that of the District Court if the likelihood of confusion issue were before us de novo. But our role here is limited to determining whether there is sufficient support in the record for the District Court's finding, We believe there is such support and therefore do not view the finding a likelihood of confusion as clearly erroneous.

In resolving the likelihood of confusion issue, the District Court considered the factors that this Court enumerated in *SquirtCo*, 628 F.2d at 1091: 1) the strength of the trademark; 2) the similarity between the trademark and the defendant's mark; 3) the competitive proximity of the products on which the respective marks are placed; 4) the intent of the alleged infringer to pass off his goods as those of the trademark holder; 5) the incidents of actual confusion; and 6) the degree of care likely to be exercised by potential customers of the trademark holder.[3] We have continued to give weight to the *SquirtCo* factors in subsequent cases. *See, e.g., WSM, Inc.*, 724 F.2d at 1329; *Vitek Sys.*, 675 F.2d at 192-93.

The first factor is undisputed. The parties agree that Mutual's trademarks are strong.

With respect to the second factor, the District Court concluded that Novak's design is "very similar" to Mutual's marks. *Mutual of Omaha Ins. Co. v. Novak*, 648 F.Supp. 905, 909 (D.Neb.1986). We do not disagree. The letters and styles of the phrases are virtually identical. Novak's "Indian head" logo depicts a side view of a feather-bonneted head similar to Mutual's "Indian head" logo. And use of the word "Mutant" in place of "Mutual" is, in the context

[3]These are not necessarily the only factors that might be relevant in a particular case. The ultimate inquiry always is whether, under all the circumstances, there exists a likelihood of confusion between the plaintiff's trademark and the allegedly infringing use.

of Novak's design, suggestive of Mutual.[4]

Regarding competitive proximity, Novak puts his design on T-shirts and coffee mugs, the same types of items on which Mutual puts its marks. Mutual sells such items to agents and company representatives, who in turn use them as gifts or incentives. While the District Court determined that there was little or no direct competition in these items between the parties, it noted that infringement still could be found. *Mutual of Omaha Ins. Co.*, 648 F.Supp. at 910. This is undoubtedly so, for confusion, not competition, is the touchstone of trademark infringement. *See SquirtCo*, 628 F.2d at 1091; *Hanson v. Triangle Publications, Inc.*, 163 F.2d 74, 78 (8th Cir. 1947), *cert. denied*, 332 U.S. 855, 68 S.Ct. 387, 92 L.Ed. 424 (1948). It is error to assume that trademark law protects against use of a mark only on directly competitive products. *See Kentucky Fried Chicken*, 549 F.2d at 388 (Fifth Circuit has "repeatedly rejected" the argument that "infringement occurs only when the alleged infringer uses the mark on the same category of product with respect to which the trademark owner obtained the mark"). "The law of trademarks . . . is not so ossified, nor its protective scope so niggardly." *PGA v. Bankers Life & Casualty Co.*, 514 F.2d 665, 669 (5th Cir. 1975). Moveover, by putting his design on items similar to those on which Mutual puts its marks, Novak increased the likelihood of confusion.

With regard to the fourth factor, there is no finding by the District Court that Novak intended to pass off his goods as Mutual's, and it seems clear that he did not. This cuts in Novak's favor, but it is not dispositive, for intent to pass off one's goods as another's is not essential to an infringement claim; rather, its presence or

[4]The dissent plays down the similarities between Novak's design and Mutual's marks, pointing out specific features that are different and noting that "the differences . . . are unmistakable." *Post* at 403. The issue, however, "is not whether the public would confuse the **marks**, but whether the viewer of an [allegedly infringing] mark would be likely to associate the product or service with which it is connected with the source of products or services with which an earlier mark is connected." *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 275 (7th Cir. 1976) (emphasis in original). The similarity of appearance is to be determined by looking at the total effect of the designation, rather than by comparing individual features. *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 260–61 (5th Cir.), *cert. denied*, 449 U.S. 889, 101 S.Ct. 268, 66 L.Ed.2d 129 (1980).

absence is only one factor to be considered along with the other factors that bear on the issue of likelihood of confusion. *SquirtCo*, 628 F.2d at 1091.

As to incidents of actual confusion, Mutual produced evidence of actual confusion in the form of a survey conducted by Sorenson Marketing and Management Corporation of New York. We consider this appropriate, for surveys are often used to demonstrate actual consumer confusion. *PPX Enters. v. Audiofidelity Enters.*, 818 F.2d 266, 271 (2d Cir. 1987). Sorenson interviewed at random four hundred people over the age of twenty-one in New York, Denver, Chicago, and San Francisco. While viewing Novak's design on a T-shirt, approximately forty-two percent of those surveyed said that Mutual of Omaha came to mind. Plaintiff's Exhibit No. 49, pp. 15, 33. Of that group, twenty-five percent said that they believe Mutual "goes along" with the T-shirts "in order to help make people aware of the nuclear war problem." *See id.* at 16. Thus, approximately ten percent of all the persons surveyed thought that Mutual "goes along" with Novak's product. *Id.* at 16, 33. Because manifestations of actual confusion serve as strong evidence of a likelihood of confusion, *SquirtCo*, 628 F.2d at 1091; *World Carpets, Inc. v. Dick Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971), and may, in fact, be the best such evidence, *Jordache Enters.*, 828 F.2d at 1487, this survey should be given substantial weight unless seriously flawed. *See McDonald's Corp. v. McBagel's, Inc.*, 649 F.Supp. 1268, 1277–78 (S.D. N.Y. 1986).

The District Court acknowledged that there may be some ambiguity in the "goes along" question used in the survey, but found the survey as a whole "credible evidence of a likelihood of confusion as to source or sponsorship." *Mutual of Omaha Ins. Co.*, 648 F.Supp. at 911. Novak presents no persuasive reason for overriding

the District Court's evaluation of the reliability of the survey.[5] Hence, we cannot say that the District Court erred in giving the survey significant weight. Courts frequently give substantial weight to properly conducted surveys. *See Anheuser-Busch Inc. v. Stroh Brewery Co.*, 750 F.2d 631, 639 (8th Cir. 1984); *also SquirtCo*, 628 F.2d at 1091; *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 380–81, 385–87 (7th Cir.), *cert. denied*, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 (1976); *Humble Oil & Ref. Co. v. American Oil Co.*, 405 F.2d 803, 817 (8th Cir.), *cert. denied*, 395 U.S. 905, 89 S.Ct. 1745, 23 L.Ed.2d 218 (1969).[6]

Concerning the final *SquirtCo* factor, the District Court found that consumers are not likely to exercise the "high degree of care or thought" necessary to "distinguish Mutual from the message on [Novak's] products." *Mutual of Omaha Ins. Co.*, 648 F.Supp. at 911. We agree. Nothing in the labeling or packaging of Novak's products indicates that the message and products do not emanate from Mutual. As a result, for consumers to learn that Mutual has no connection with Novak's products requires more than just careful scrutiny of the products, and it is improbable that consumers will engage in further investigation. We believe, as did the District Court, that the degree of care likely to be exercised by consumers does not reduce the likelihood of confusion.[7]

[5]The dissent also attacks the survey's validity, but we remain unpersuaded that we should overrule the District Court's assessment of the weight to be given the survey. The dissent's primary attack focuses on the following survey question: "Would you say that Mutual of Omaha goes along or does not go along with these T-shirts in order to make people aware of the nuclear war problem?" *See post* at 403–04. The dissent finds the question "fundamentally flawed" because it "plants the idea of nuclear war in the mind of the interviewee." *Id.* at 404. When during the survey this question is presented, however, the interviewee is already viewing a T-shirt bearing Novak's design along with the phrase "Nuclear Holocaust Insurance." Thus before the question that the dissent finds troublesome is asked, the words "Nuclear Holocaust" have already led the interviewee to consider nuclear catastrophes. The survey question simply causes the interviewee to focus on one specific kind of nuclear disaster. In our opinion, this reference to nuclear war does not make the survey fatally defective.

The dissent also objects to the survey sample. The dissent complains that the survey respondents were not asked whether they were interested in buying a T-shirt or insurance, *id.* at 404, were not from areas reached, or likely to be reached, by Novak's message, *id.* at 404, and were not interviewed at places where insurance or T-shirts were "featured." *Id.* at 404. The dissent also criticizes the survey sample size as "miniscule." *Id.* at 404. We do not find the dissent's objections compelling and note that other courts have upheld the validity of surveys against similar attacks. In *SquirtCo*, for example, a survey was upheld as valid despite criticism that the survey failed to consider whether the interviewees had any interest in buying the kinds of products put out by the litigants and despite its having been conducted in a city where products of one of the litigants were not available or advertised. *SquirtCo*, 628 F.2d at 1089–90 n. 4. *See also McDonald's*, 649 F.Supp. at 1277–78 (court upholds validity of survey even though many interviewees had never heard of alleged infringer's products or services and were not near places where such products or services were featured). *But see Exxon Corp. v. Texas Motor Exchange of Houston, Inc.*, 628 F.2d 500, 507 (5th Cir. 1980) (survey "universe should include a fair sampling of those purchasers most likely to partake of the alleged infringer[']s goods or services") (quoting *Amstar*, 615 F.2d at 264). With regard to the survey sample size, without some basis for thinking otherwise, we decline to accept the dissent's assertion that four hundred interviewees is too few. *See Exxon*, 628 F.2d at 507 (5th Cir. 1980) (515 interviewees sufficient); *SquirtCo*, 628 F.2d at 1089–90 n. 4 (628 survey respondents sufficient); *James Burrough Ltd.*, 540 F.2d at 277 (five hundred interviewees sufficient).

We should also note that the survey was carefully examined at the District Court level. *See* Trial Transcript at 29–116. The District Court did not merely assume that the survey was valid, but considered it with great care and determined that it was probative evidence of consumer confusion.

[6]The survey in the present case does not suffer from flaws such as those found in the survey in *Jordache Enters., Inc. v. Hogg Wyld, Ltd.*, 625 F.Supp. 48, 54 (D.N.M. 1985), *aff'd*, 828 F.2d 1482 (10th Cir. 1987).

[7]The dissent disagrees with our acceptance of the District Court's finding concerning this *SquirtCo* factor, *post* at 404 n. 1, but does not even attempt to demonstrate that the finding is clearly erroneous. Moreover, the dissent seems to misunderstand the focus of our discussion of this *SquirtCo* factor. Our point is simply that once a consumer has drawn the inference that Mutual is affiliated with Novak's design, inspection of Novak's products will not yield information sufficient to dispel the misperception; that is, the consumer remains confused. This is the appropriate focus, for this factor is intended to discern "whether the degree of care exercised by the purchaser can eliminate the likelihood of confusion [that] would otherwise exist." *SquirtCo*, 628 F.2d at 1091 (quoting *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1342 (2d Cir. 1975)). Such a focus implicitly speaks to trademark law concerns not addressed by the dissent's comment, such as whether consumers are being protected from misleading information as to source, affiliation, or sponsorship. *See Falcon Rice Mill, Inc. v. Community Rice Mill, Inc.*, 725 F.2d 336, 348 (5th Cir. 1984). The dissent's comment speaks only to whether consumers, upon seeing Novak's design, would "base" their decision to buy insurance on what they perceive to be Mutual's stance on nuclear war. *See post* at 404 n. 1.

We are satisfied that the District Court properly weighed the *SquirtCo* factors. The record contains ample support for the District Court's finding of a likelihood of confusion. We therefore cannot say that this pivotal finding is clearly erroneous.

The cases Novak relies upon to support his view that there is no likelihood of confusion here, but merely obvious parody, lack persuasiveness in relation to the situation before us. Those cases either did not involve surveys demonstrating confusion or involved surveys of doubtful validity. For example, in *Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831 (6th Cir. 1983), the plaintiffs presented no surveys demonstrating confusion, and in *Tetley, Inc. v. Topps Chewing Gum, Inc.*, 556 F.Supp. 785, 793 (E.D.N.Y. 1983), the court noted that the plaintiff presented no evidence at all of either the likelihood of or actual confusion. Similarly, none of the following cases relied on by Novak involved surveys demonstrating confusion: *Bi-Rite Enters., Inc. v. Button Master*, 555 F.Supp. 1188, 1196 (S.D.N.Y. 1983) ("plaintiffs have not even attempted to prove confusion in the sense required by the [Lanham] Act"); *Reddy Communications, Inc. v. Environmental Action Found, Inc.*, 199 U.S.P.Q. (BNA) 630, 635–36 (D.D.C. 1977) (no surveys or evidence of actual confusion); *General Mills, Inc. v. Henry Regnery Co.*, 421 F.Supp. 359, 361 (N.D.Ill. 1976) ("no . . . evidence of actual confusion and no surveys of consumer attitudes were presented by plaintiff"); *Girl Scouts of United States v. Personality Posters Mfg. Co.*, 304 F.Supp. 1228, 1231 (S.D.N.Y. 1969) ("not a scintilla [of evidence] has been presented supporting the allegation of confusion or its likelihood"). In *Jordache*, there was a survey, but the survey was given little weight because it had been shown to be seriously defective. *See Jordache Enters., Inc. v. Hogg Wyle, Ltd.*, 625 F.Supp. 48, 54 (D.N.M. 1985), *aff'd*, 828 F.2d 1482 (10th Cir. 1987) (court finds problems with survey's setting, sample size, methodology, and computations). Similarly, in *American Footwear*, the Second Circuit affirmed a district court's rejection of survey evidence, finding "numerous deficiencies inherent in the surveys." *American Footwear Corp. v. General Footwear Co.*, 609 F.2d 655, 663 (2d Cir. 1979), *cert. denied*, 445 U.S. 951, 100 S.Ct. 1601, 63 L.Ed.2d 787 (1980).

Novak argues that his use of the design in question is an exercise of his right of free speech and is protected by the First Amendment. We believe, however, that the protection afforded by the First Amendment does not give Novak license to infringe the rights of Mutual. Mutual's trademarks are a form of property, *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413, 36 S.Ct. 357, 360, 60 L.Ed. 713 (1916); *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U.S. 251, 259, 36 S.Ct. 269, 271, 60 L.Ed. 629 (1916); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206 (2d Cir. 1979); J. McCarthy, *Trademarks and Unfair Competition* § 2:6 (1973), and Mutual's rights therein need not "yield to the exercise of First Amendment rights under circumstances where adequate alternative avenues of communication exist." *Lloyd Corp. v. Tanner*, 407 U.S. 551, 567, 92 S.Ct. 2219, 2228, 33 L.Ed.2d 131 (1972); *accord Dallas Cowboys Cheerleaders, Inc.*, 604 F.2d at 206; *see also Walt Disney Prods. v. Air Pirates*, 581 F.2d 751, 758–59 (9th Cir. 1978), *cert. denied*, 439 U.S. 1132, 99 S.Ct. 1054, 59 L.Ed.2d 94 (1979); *Reddy Communications, Inc.*, 199 U.S.P.Q. (BNA) at 634. Given the circumstances of this case, Mutual's property rights should not yield. The injunction our decision upholds prohibits Novak's conduct only insofar as Novak uses Mutual's marks as logos or "to market, advertise, or identify [his] services or products." Designated Record (D.R.) at 76–77. Other avenues for Novak to express his views exist and are unrestricted by the injunction; for example, it in no way infringes upon the constitutional protection the First Amendment would provide were Novak to present an editorial parody in a book, magazine, or film. Because the injunction leaves open many such avenues of expression, it deprives neither Novak nor the public of the benefits of his ideas. We therefore conclude that in the circumstances of this case failure to protect Mutual's trademark rights would amount to an "unwarranted infringement of property rights," for it would diminish [those] rights without significantly enhancing the asserted right of free speech." *Lloyd Corp.*, 407 U.S. at 567, 92 S.Ct. at 2228. *See Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 578, 97 S.Ct. 2849, 2859, 53 L.Ed.2d 965 (1977). It follows that the District Court did not violate Novak's First Amendment rights by issuing the injunction. *See Lloyd Corp.*, 407 U.S. at 567–70, 92

S.Ct. at 2228–29 ("accomodations" must be made between speech and property rights);[8] *Zacchini*, 433 U.S. at 569–79, 97 S.Ct. at 2854–59 (1977) (resolution of conflicts between speech and property rights requires balancing of interests).[9]

We conclude that the District Court's finding of a likelihood of confusion between Mutual's valid trademarks and Novak's design is not clearly erroneous. That finding warrants the District Court's issuance of a permanent injunction restricting Novak's further use

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[8]The dissent takes the view that it is inappropriate to cite in support of our analysis a case where the property in question was real estate rather than a trademark. *Post* at 406 (quoting Note, *Trademark Parody: A Fair Use and First Amendment Analysis*, 72 V.L.Rev. 1079, 1111–12 (1986) and Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wis.L. Rev. 158, 206). The crux of the argument is that because the parodist expresses ideas through use of the trademark, an injunction against using a trademark for parody restricts what the parodist may say. Thus, in contrast to cases involving real estate, where courts merely inpose restrictions on the time, place, and manner of speech, when courts in trademark parody cases forbid the use of trademarks as the grist for parody the restrict the content of speech. *See* Note, *supra*, at 1111–12; Denicola, *supra*, at 206. This argument may have merit, but it does not apply to the present case. The injunction at issue does not quash most uses to which Novak might wish to put his design, nor does it require that the design be altered. Novak is prohibited from using the design only in the specific commercial ways mentioned in the injunction. His right to use the design in other ways — such as in antinuclear pamphlets and the like — is not restricted in any manner whatsoever.

[9]Our analysis is not at odds with *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir.), *appeal dismissed*, ___ U.S. ___, 107 S.Ct. 3254, 97 L.Ed.2d 753 (1987). *L.L. Bean* involved "editorial or artistic" use of a mark "solely for noncommercial purposes," *id.* at 32, and the holding did not encompass the likelihood of confusion issue. *Id.* at 32 n. 3 (court notes in dictum that "a parody which engenders consumer confusion would be entitled to less protection than is granted by our decision today"). By contrast, our case centers on Novak's commercial use of Mutual's marks in a way that causes consumer confusion.

of his infringing design.[10] *Pure Foods, Inc. v. Minute Maid Corp.*, 214 F.2d 792, 797 (5th Cir.), *cert. denied*, 348 U.S. 888, 75 S.Ct. 208, 99 L.Ed. 697 (1954); *see also SquirtCo*, 628 F.2d at 1091.[11]

The judgment of the District Court is affirmed.

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[10]The dissent suggests that we are imposing liability for "satiric appropriation," *post* at 405, and in support of this assertion cites Dorsen, *Satiric Appropriation and the Law of Libel, Trademark, and Copyright: Remedies Without Wrongs*, 65 B.U.L. Rev. 923, 964 (1985). But, according to Dorsen, courts do this in trademark cases only when they abandon "the traditional trademark infringement test—the likelihood of confusion." *Id.* at 951. We, of course, have not abandoned this test but use it as the foundation for our decision. *See supra* pp. 398–401. Consonant with our holding, Dorsen writes that where likelihood of consumer confusion can be shown, the law should and does provide remedies. *Dorsen, supra*, at 952, 964.

[11]The dissent implies that before an injunction may properly be issued, the complaining party must show some sort of harm other than infringement of its trademark rights. *See post* at 404. That is simply not the law. "In trademark infringement, it is not necessary for plaintiff to prove actual damage or injury to obtain injunctive relief." J. McCarthy, *supra* p. 402, § 30:5. Injury is presumed once a likelihood of confusion has been established. *James Burrough Ltd.*, 540 F.2d at 276. All that the complaining party must do to establish its right to an injunction is to prove the likelihood of confusion. J. McCarthy, *supra* p. 402, § 30:5.

HEANEY, Circuit Judge, dissenting.

I respectfully dissent. In my view, the trial court's finding that there exists a likelihood of confusion is clearly erroneous. Moreover, the majority's holding sanctions a violation of Novak's first amendment rights, The T-shirts simply expressed a political message which irritated the officers of Mutual, who decided to swat this pesky fly buzzing around in their backyard with a sledge hammer (a federal court injunction). We should not be a party to this effort.

In regard to the majority's interpretation of the six *SquirtCo* factors indicating a likelihood of confusion: The Mutual trademark is no doubt a strong one. There also is a superficial "similarity" between Mutual's mark and the Novak design. Clearly for a parody to be successful, some similarity must be present, but the differences here are unmistakable: an emaciated human replaces the virile "Indianhead" and "Mutant" replaces "Mutual." Moreover, the products on which the design and mark are used are simply not "competitive," indirectly or otherwise. Mutual sells insurance; Novak sells T-shirts—probably to peace activists. Further, Novak had no intent to pass the T-shirts as Mutual's product.

The only *SquirtCo* factor really in dispute in this case is whether consumers could be "actually confused" as to who sponsored or produced the T-shirts.

The evidence on this issue consisted solely of a survey by a nationally recognized firm. Four hundred persons over the age of twenty-one were interviewed at shopping malls in New York, Denver, Chicago and San Francisco. Neither T-shirts nor insurance were featured at the shopping malls where the interviews were conducted. No one was asked whether he or she was interested in buying a T-shirt or insurance.

The interviewees were shown the T-shirts described in the majority opinion and asked: "Does anything come to your mind when you look at this tee shirt?" Ninety-two percent said yes. Plaintiff's Exhibit No. 49, p. 21. Those answering yes, were then asked: "What comes to your mind when you see this tee shirt?" Twenty-one percent answered Mutual of Omaha, or the TV program Wild Kingdom sponsored by Mutual. Plaintiff's Exhibit No. 49, p. 22. Interviewees were then asked, "anything else," and an additional

eight percent then mentioned Mutual of Omaha. Plaintiff's Exhibit No. 49, p. 22.

As recognized by the majority, the only possible evidence of actual confusion is contained in the following question: "Would you say that Mutual of Omaha goes along with or does not go along with these tee shirts in order to make people aware of the nuclear war problem?" Plaintiff's Exhibit No. 49, p. 25. Twelve percent of those who mentioned Mutual of Omaha in the earlier questions gave an affirmative answer to this question.

This survey question, however, is fundamentally flawed and should be given little evidentiary weight. The question is blatantly suggestive. It plants the idea of nuclear war in the mind of the interviewee. Thus, an interviewee who only casually glances at the T-shirt or who doesn't understand the message in the T-shirt is tipped off by the question that the T-shirt has something to do with nuclear war. But, if the interviewer had not tipped these people off about the message on the T-shirts, many would never have even come to the misconception that Mutual sponsored the message on the T-shirt.

The only class of interviewees that really matter in this case are those who, *on their own,* recognized the T-shirt contained a message about nuclear war and also believed that Mutual sponsored it. This suvey gives us no firm data on how many of these interviewees there were, except that the percentage is somewhere from zero to twelve percent. That is not compelling evidence. *See Jordache,* 828 F.2d at 1487–88. It is at most an inference of the possibility of confusion, and such a showing is not sufficient to prove infringement. *Jordache,* 828 F.2d at 1482.

The survey suffers from additional flaws. The sample was miniscule and taken in areas that Novak's message had not reached and had no realistic chance of reaching. His "mom and pop" operation reached a few thousand people, nearly all of whom lived in the Omaha area. Mutual, on the other hand, operates throughout the United States and sells nearly two billion dollars of insurance each year to millions of men and women.

There is not a whit of evidence that either Mutual's sales or its image suffered to any degree, or more importantly that Novak did or could do anything that would be likely to cause confusion

among the millions of policyholders of Mutual or those in the pool likely to purchase insurance.[1]

There can be no doubt that Novak used the "Mutant of Omaha" design in a satirical manner. He intended to expose what he considered the folly of nuclear war. He did not intend to harm Mutual's reputation, and there is no evidence that he did so or was likely to do so.

Most importantly, the majority opinion cannot be squared with the first amendment. The Supreme Court has consistently held that prior restraints on publication are presumptively invalid and may be sustained only under the most extraordinary circumstances. *Lowe v. SEC*, 472 U.S. 181, 204–05, 105 S.Ct. 2557, 2570–71, 86 L.Ed.2d 130 (1985).[2] These are not extraordinary circumstances.

The majority justifies its assault on Novak's first amendment rights by stating that "protection afforded by the first amendment does not give Novak license to violate the [property] rights of Mutual where adequate alternative avenues of communication exist." Unfortunately, neither the district court nor the majority identifies how Mutual's property rights were harmed by the message on the T-shirts—its feelings, yes, but its reputation, highly unlikely.

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[1] I simply cannot go along with the majority's acceptance of the district court's finding that "consumers are not likely to exercise the 'high degree of care or thought' necessary to 'distinguish Mutual from the message on [Novak's] products." *Supra* at 401. As I stated previously, we do not know how many of the survey interviewees, *on their own*, recognized the message about nuclear war, and believed Mutual sponsored it. But, if there are some in this category, I simply cannot believe that any significant number would base an important decision such as buying insurance on their notion that Mutual took a stance on nuclear war. *Cf. Jordache*, 828 F.2d at 1487 (district court's finding that customers are likely to exercise a "high degree of care in purchasing clothing that costs between fifteen and sixty dollars" is not clearly erroneous). Moreover, of those who would be influenced by the misconception, it is entirely likely that a fair number would view a stance against nuclear war quite favorably.

[2] *See also* J.T. McCarthy, *Trademarks and Unfair Competition* § 31.38 (2d ed. 1984); R. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wis.L.Rev. 158, 202–207.

Scholarly opinion rejects the loose definition of property damage taken by the majority. One commentator has said:

> By extending protection to cases outside the existing legal framework and imposing liability for "satiric appropriation," courts have stifled creativity without protecting any legally recognized rights. Courts must realize that satire is a special form of expression and evaluate it under established rules rather than according to personal reactions. Strict application of traditional rules of law will protect all parties. A good satire will likely offend someone. Good law, however, must allow the offense.

H. Dorsen, *Satiric Appropriation and the Law of Libel, Trademark, and Copyright: Remedies Without Wrongs*, 65 B.U.L.Rev. 923, 964 (1985).

Scholarly opinion also rejects the notion that product parodists must use "adequate alternative avenues of communication." One writer considers many of the cases relied on by the majority, *see, e.g., Mutual of Omaha Ins. Co. v. Novak*, 775 F.2d 247, 249 (8th Cir. 1985); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 206 (2d Cir. 1979); *L.L. Bean, Inc. v. Drake Publications, Inc.*, 625 F.Supp. 1531, 1537–38 (D.Me. 1986); *Reddy Communications, Inc. v. Environmental Action Found.*, 477 F.Supp. 936 (D.D.C. 1979), and he cogently explains why "trademark parody" must be distinguished from other kinds of intrusions on another's property:

> [T]he courts have uncritically relied on the characterization of trademarks as a type of "private property," leading them to the conclusion that, even if the first amendment does apply to trademark parody, the property rights of the trademark owner must take precedence over the parodist's right of free expression because the latter can always communicate his ideas in ways that do not require the use of the trademark itself. Here the property metaphor, useful in other contexts, completely distorts the analysis, causing courts to hold, in essence, that the parodist's rights must yield to property rights

whenever the parodist has adequate alternative avenues of communication. This notion derives from the Supreme Court's decision in *Lloyd Corp. v. Tanner*. There the Court held that the owner of real property has the right to exclude unwelcome speakers from that property. But in the *Lloyd* situation, the owner's enforcement of its property rights restricts only the **place** where the speaker's expression may occur. Giving precedence to the owner's property rights comports with the doctrine that a restriction on the time, place, or manner of expression is valid so long as it leaves the speaker with an alternative means of delivering his message. Application of this rule is distinctly inappropriate, however, when the property involved is not real estate but a trademark—a form of intangible property that **itself** conveys or symbolizes ideas. Because a parodist expresses ideas through the use of another's trademark, the owner's attempt to enjoin the parody goes to the **content** of the speech and not merely to the time, place, or manner of its delivery.

Note, *Trademark Parody: A Fair Use and First Amendment Analysis*, 72 Va.L.Rev. 1079, 1111–1112 (1986) (footnotes omitted).

I agree with Professor Robert Denicola that the general approach to trademark parodies should be this:

> If the injury to the plaintiff's trademark arises from the ideas that have been expressed through the defendant's use, it is no answer to cite the "shopping center" cases [allowing restrictions on time, place and manner] to justify suppression on the ground that "adequate alternative avenues of communication exist." The issue is not **where** the defendant may speak, but rather **what** he may say. The first amendment will not permit the trademark owner the power to dictate the form, and thus the effectiveness, of another's speech simply because his trademark has been used to express ideas that he would prefer to exclude from the public dialogue.

R. Denicola, *Trademarks as Speech: Constitutional Implications of the Emerging Rationales for the Protection of Trade Symbols*, 1982 Wis. L. Rev. 158, 206.

In sum, the evidence in this case shows at most a possibility of trademark confusion, no real evidence of actual harm to property, and, most importantly, a significant intrusion upon the defendant's first amendment rights. For these reasons, I dissent.

APPENDIX G

MUTUAL OF OMAHA INSURANCE COMPANY,
a Nebraska corporation,

Appellee,

v.

FRANKLYN NOVAK,
an individual,

Appellant.

Nos. 87-1042/1043-NE

United States Court of Appeals
For the Eighth Circuit

Appeals from the United States District Court
for the District of Nebraska

Petition for rehearing en banc filed by appellant/cross-appellee, Franklyn Novak, has been considered by the Court and is denied.

Petition for rehearing by the panel is also denied.

February 17, 1988

Order Entered at the Direction of the Court:

APPENDIX H

U.S. Const. amend. I

Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.

APPENDIX I

15 U.S.C. § 1114(1)

Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to lables, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action, by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

APPENDIX J

15 U.S.C. § 1125(a)

False designations of origin and false descriptions forbidden

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation or origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

APPENDIX K

Neb. Rev. Stat. § 87-302

Deceptive trade practices; enumerated. (a) A person engages in a deceptive trade practice when, in the course of his business, vocation, or occupation, he:

(1) Passes off goods or services as those of another;

(2) Causes likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services;

(3) Causes likelihood of confusion or of misunderstanding as to affiliation, connection, or association with, or certification by, another;

(4) Uses deceptive representations or designations of geographic origin in connection with goods or services;

(5) Represents that goods or services have sponsorship, approval, characteristics, ingredients, uses, benefits, or quantities that they do not have or that a person has a sponsorship, approval, status, affiliation, or connection that he does not have;

(6) Represents that goods are original or new if they are deteriorated, altered, reconditioned, reclaimed, uses, or secondhand, except that sellers may repair damage to and make adjustments on or replace parts of otherwise new goods in an effort to place such goods in compliance with factory specifications;

(7) Represents that goods or services are of a particular standard, quality, or grade, or that goods are of a particular style or model, if they are of another;

(8) Disparages the goods, services, or business or another by false or misleading representation of fact;

(9) Advertises goods or services with intent not to sell them as advertised;

(10) Advertises goods or services with intent not to supply reasonably expectable public demand, unless the advertisement discloses a limitation of quantity;

(11) Makes false or misleading statements of fact concerning the reasons for, existence of, or amounts of price reductions;

(12) Uses or promotes the use of a chain distributor scheme in connection with the solicitation of business or personal investments from members of the public;

(13) With respect to a sale or lease to a natural person of goods or services purchased or leased primarily for personal, family, household, or agricultural purposes, uses or employs any referral or chain referral sales technique, plan, arrangement, or agreement; or

(14) Installs or uses an automatic dialing-announcing device without first obtaining a permit issued pursuant to sections 87-308 to 87-311.

(b) In order to prevail in an action under sections 87-301 to 87-306, a complainant need not prove competition between the parties.

(c) This section does not effect unfair trade practices otherwise actionable at common law or under other statutes of this state.

OPPOSITION

BRIEF

Supreme Court, U.S.
FILED
JUN 14 1988
JOSEPH F. SPANIOL, JR.
CLERK

No 87-1908

In The

Supreme Court of the United States

October Term, 1987

FRANKLYN NOVAK,

Petitioner,

v.

MUTUAL OF OMAHA INSURANCE COMPANY,

Respondent.

On Petition for a Writ of Certiorari to the U.S. Court of Appeals for the Eighth Circuit

BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

DENNIS L. THOMTE
ZARLEY, MCKEE, THOMTE,
VOORHEES & SEASE
1111 Commercial Federal Tower
2120 South 72nd Street
Omaha, Nebraska 68124
Telephone: (402) 392-2280
Counsel for Respondent

COCKLE LAW BRIEF PRINTING CO., (800) 225-6964
or call collect (402) 342-2831

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FRANKLYN NOVAK,

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BRIEF IN OPPOSITION TO PETITION FOR A WRIT OF CERTIORARI

REASONS FOR DENYING WRIT

A. The So-called "Conflict" Between the Circuits Relating to Whether "Likelihood of Confusion" is an Issue of Fact or Conclusion of Law is Not Sufficient for the Court to Grant the Requested Writ.

Traditionally, the law has classified likelihood of confusion as an issue of fact. *McCarthy, J.*, Trademarks

and Unfair Competition, Sec. 23:22. The Restatement states that the issue of confusion similarity is an issue of fact. *Restatement*, Torts § 728, Comment a (1938).

Although there has been a conflict between some of the circuits relating to whether "likelihood of confusion" is an issue of fact or conclusion of law, the conflict seems to be lessening. The First Circuit has held that a District Court's finding of likelihood of confusion was reversible only if clearly erroneous. *Keebler Company v. Rovira Biscuit Corp.*, 624 F.2d 366, 377 (CA 1 1980). One Second Circuit district court characterized the question of likelihood of confusion as one of fact, *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 229 USPQ 890 (S.D.N.Y. 1986), contrary to the usual Circuit rule. *Miss Universe, Inc. v. Patricelli*, 753 F.2d 235, 237 (CA 2 1985). A Third Circuit district court termed the question of likelihood of confusion "generally speaking" one of fact. *Eagle's Eye, Inc. v. Ambler Fashion Ship, Inc.*, 627 F.Supp. 856 (E.D. Pa. 1985).

A recent Fourth Circuit Court decision stated that "predicate factual findings that must be made . . . to establish a likelihood of confusion" are subject to the clearly erroneous standard and cited two cases from the Eleventh Circuit which treats likelihood of confusion as a question of fact subject to the clearly erroneous rule. *Transportation, Inc. v. Mayflower Services, Inc.*, 769 F.2d 952 (CA 4 1985).

In the Fifth Circuit, the rule is that likelihood of confusion is a finding of fact. *Marathon Mfg. Co. v. Enerlite Products Corp.*, 767 F.2d 214 (CA 5 1985). In the Sixth Circuit, one district court considered the circumstances as to each factor to be factual, but the final determination of likelihood of confusion to be an issue of law. *Ameritech, Inc. v. American Information Technologies Corp.*, 601 F.Supp. 611 (N.D. Ohio 1985). The Seventh Circuit regards likelihood of confusion to be factual. *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1428 (CA 7 1985), cert. denied 106 S.Ct. 1801 (1986). Likelihood of confusion is a question of fact in the Eighth Circuit. *Comidas Exquisitos, Inc. v. O'Malley & McGee's, Inc.*, 775 F.2d 260 (CA 8 1985).

The traditional Ninth Circuit Court rule is that likelihood of confusion is a conclusion of law premised on an analysis of a number of "subsidiary factors" which comprise "foundational facts" reviewable under the clearly erroneous standard. *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1243 (CA 9 1984). Later in 1985, an eleven judge panel reversed the prior rule in favor of the "predominant view in other circuits" that findings of likelihood of confusion are reviewed under the clearly erroneous standard of Rule 52(a). *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352 (CA 9 1985). In the Tenth Circuit, likelihood of confusion is a question of fact subject to the clearly erroneous review standard. *J. M. Huber Corp. v. Lowery Wellheads, Inc.*, 778 F.2d 1467 (CA 10 1985). The same rule is followed in the Eleventh Circuit. *Swatch Watch, S.A. v. Taxar, Inc.*, 785 F.2d 956 (CA 11 1986). For an excellent discussion and review of this issue, see *McCarthy, J.*, supra, Sec. 23:22(B).

In appeals to the Court of Appeals for the Federal Circuit, as a result of patent claims joined in the suit, the rule of the Circuit from which the appeal comes governs.

CPG Products Corp. v. Pegasus Luggage, Inc., 776 F.2d 1007 (CAFC 1985).

In two previous cases, this Court was requested to grant certiorari to settle the conflict between the circuits whether likelihood of confusion was a finding of fact subject to the clearly erroneous standard of appellate review or was a conclusion of law subject to de novo review. *Euroquilt, Inc. v. Scandia Down Corp.*, 106 S.Ct. 1801 (1986); *Elby's Big Boys, Inc. v. Fresch Restaurants, Inc.*, 103 S.Ct. 231 (1982). In both cases, certiorari was denied with Justice White dissenting.

Even though the "conflict" was more recognizable in 1982 than it was in 1986, the Court again chose to deny certiorari in 1986. Inasmuch as it appears that only the Second Circuit and the Sixth Circuit apparently regard likelihood of confusion as a conclusion of law, with a district court within the Second Circuit recently departing from the general rule, it does not appear that this Court should grant certiorari to bring a portion of the Second Circuit and the Sixth Circuit into agreement with the other circuits, especially when this case did not arise in either the Second or Sixth Circuits.

Even if this Court should grant certiorari and hold ultimately that likelihood of confusion is a conclusion of law based on factual considerations, the end result that there is a likelihood of confusion in this case should stand since Judge Beam's factual findings relating to: (1) strength of Mutual's marks; (2) similarity of the marks; (3) competitive proximity; (4) defendant's intent; (5) actual confusion; and (6) the degree of care likely to be exercised by potential customers of the trademark holder

cannot be said to be clearly erroneous. The Eighth Circuit in its decision, held: (1) that Judge Beam's factual findings were not clearly erroneous; (2) that Judge Beam had properly weighed the factors enumerated in *Squirt Co. v. Seven-Up Co.*, 628 F.2d 1086 (CA 8 1980); and (3) that the record contained ample support for the finding of likelihood of confusion.

B. The First Amendment Does Not Immunize Petitioner From The Charge of Trademark Infringement and Unfair Competition.

In the past, several cases have arisen wherein defendants charged with trademark infringement have claimed First Amendment immunity by alleging that they are merely using plaintiff's trademarks to convey some important social or commercial message to the public. The First Amendment defense was almost uniformly rejected in all of these cases. See *McCarthy, J.*, The Rights of Publicity and Privacy, Sec. 8.5(2) (1987).

In his petition, Novak is apparently taking the "absolute" position that the First Amendment means only what it literally says: there shall be *no* law restricting freedom of speech - ever - with no ifs, buts, or whereases. The "absolute" theory was first advanced by Justice Black in his dissent in *Beauharnais v. Illinois*, 343 U.S. 250, 275 (1951). The Supreme Court has never accepted Justice Black's "absolute" position that the First Amendment meant only what it literally said. *McCarthy, J.*, supra, Sec. 8.4A. Even the holders of an absolutist view read the First Amendment guarantee of free speech as subject to the qualification that speech may be abridged if the time, place, or manner of its expressions makes an abridge-

ment reasonable. See *Nimmer, M.*, A Treatise on the First Amendment, Sec. 2.01. As stated in *Nimmer, M.*, Id. at p. 2-5:

> "Time, place, and manner considerations are not the only limitations of the First Amendment which most people, probably including those who hold an absolutist view, would accept as inherently necessary and impliedly contained in the freedom of speech guarantee. Who, for example, would claim that perjury in the court of a judicial proceeding may not be punished because it is a form of speech? Would anyone seriously suggest that antitrust laws are unconstitutional because agreements in restrain of trade constitute a form of expression? Are fraudulent statements immune from legal penalities because they are a form of speech? Many other examples might be added, but these perhaps will suffice to indicate that no one can reasonably hold the position that the First Amendment is an absolute in the sense that it literally protects all speech."

When a property right forms the basis of the policy weighed against an assertion of free speech, the two opposing rights must be carefully weighed. *McCarthy, J.*, supra, Sec. 8.5. This Court first held in 1879 that a trademark is a kind of intangible property. *Trade-Mark Cases*, 100 U.S. 82, 92-94 (1879). In 1977 this Court first decided a case involving the Right to Publicity, which is also a property right. *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 564 (1977). In *Scripps*, the Court recognized that conflicts between ownership rights in intangible property and freedom of expression under the First Amendment must be resolved by balancing the competing interests. In doing so, the Court considers three factors: (1) the nature and extent of the owner's injury if the

speaker is permitted to use the property; (2) the speaker's interest in using the property to express himself; and (3) the public interest in allowing the speaker to use the property. *Id* at 569-79.

In his petition, Novak has chosen to categorize his design or logo as a form of noncommercial speech, as opposed to commercial speech, as will be discussed in more detail hereinafter. The distinction between commercial and noncommercial speech is extremely important in First Amendment cases. When commercial speech is involved, the protection afforded under the First Amendment is less than that for noncommercial speech. *Ohralik v. Ohio Bar Ass'n.*, 436 U.S. 447 (1978); *Bates v. State Bar of Arizona*, 433 U.S. 350 (1977); *Virginia State Bd. of Pharmacy v. Virginia Citizens Consumer Council, Inc.*, 425 U.S. 740 (1976).

In seeking to convince the Court that petitioner's trademark parody is noncommercial speech protected by the First Amendment, petitioner states at page 12 of his petition:

> "This Court has held that the federal government has a 'substantial' interest in prohibiting certain nonauthorized commercial speech which uses a certain trademark." . . .
>
> "Novak does not dispute that the government constitutionally may regulate confusing (or at least deceptive or misleading) 'commercial' speech."

It is interesting to note that petitioner is now categorizing his "parody" as noncommercial speech even though petitioner's answer to the Complaint makes no mention or allegation whatsoever that the usage of his

logo was noncommercial. Similarly, the pretrial order in this case does not identify any controverted issue for determination by the Court relating to Novak's present contention that his use was noncommercial. Novak's trial brief and his Eighth Circuit brief likewise make no mention of the noncommercial speech issue of this case now being raised.

The Eighth Circuit, in its opinion dated December 30, 1987, did hold, however, that Novak was prohibited from using his design in specific *commercial* ways. Further, the Eighth Circuit distinguished the L. L. Bean case as relating to "editorial or artistic" use of a mark "solely for noncommercial purposes" while Novak's *commercial* use of Mutual's marks causes customer confusion. It seems strange that Novak now argues that his parody was noncommercial when the record establishes that he sold approximately 4000 T-shirts, 250 coffee mugs, 225-300 caps, and 50 buttons and that he advertised his products in newspapers, magazines and on television.

It also seems strange that Novak now argues that his parody was noncommercial when Novak obtained a copyright on his logo so as to obtain the exclusive rights afforded a copyright holder such as the exclusive right to reproduce, display, perform, etc. If Novak was sincere in his "noncommercial speech" effort to spread his views on nuclear war or the freeze, he would not have sought exclusive rights in his logo but would have dedicated his logo for use by concerned people throughout the world. At trial, Novak testified as follows:

"Q. I believe you testified at the Preliminary Injunction Hearing that you obtained a copyright, a registration on your design, is that correct?

A. Yes, that is.

Q. What was the purpose of obtaining a copyright registration?

A. Well, I thought I had a unique idea and I—I copyright everything I do. I've written plays and I've copywritten them, and I felt it was something that should be copywritten. It's easy to do. It's $5.00, I think, and so I did it. I have all the forms.

Q. $10.00.

A. Oh, it has gone up.

Q. Was it your purpose to obtain the exclusive rights normally afforded a copyright registrant?

A. Yeah. I—I wanted to have protected my idea.

Q. To keep others from copying it?

A. My satire. Essentially.

Q. Because that is one of the rights afforded to a copyright owner, isn't that correct?

A. Yes." TR. p. 193, line 17-p. 194, line 12.

It is clear that petitioner's use of his design was commercial and that he desired to prohibit others from using his copyrighted design.

Petitioner chose to infringe Respondent's trademarks and Petitioner should not be able to avoid the consequences of his trademark infringement under the guise of "free speech." As Judge Beam stated in his opinion:

> "Just as Novak may not hold an antinuclear rally in his neighbor's backyard without permission, neither may he voice his concerns through the improper use of Mutual's trademark." A-19.

The First Amendment does not give Novak the right to trample upon Mutual's valuable trademark rights.

Novak could have voiced his concern about nuclear war in many other ways. The survey conducted by Mutual revealed that a large percentage of those surveyed were confused as to the source, affiliation or endorsement by Mutual of Novak's products. Since actual confusion was established, Mutual has suffered irreparable harm. Such irreparable harm should not be allowed to continue under the guise of noncommercial speech protected by the First Amendment.

CONCLUSION

For the foregoing reasons, this Court should deny the Petition for a Writ of Certiorari to the United States Court of Appeals for the Eighth Circuit.

Respectfully submitted,

DENNIS L. THOMTE
ZARLEY, MCKEE, THOMTE,
VOORHEES & SEASE
2120 South 72nd Street
1111 Commercial Federal Tower
Omaha, Nebraska 68124
(402) 392-2280

OPINION

SUPREME COURT OF THE UNITED STATES

FRANKLYN NOVAK *v.* MUTUAL OF OMAHA INSURANCE COMPANY

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT

No. 87-1908. Decided October 31, 1988

The petition for a writ of certiorari is denied.

JUSTICE WHITE, dissenting.

A question presented in this case is whether a district court's finding of a likelihood of confusion in a trademark infringement matter under Section 43(a) of the Lanham Act, 15 U. S. C. § 1125(a), is reviewable under the "clearly erroneous" standard, as a finding of fact, or *de novo*, as a conclusion of law. I have noted before that federal courts disagree over this question. *See Euroquilt, Inc.* v. *Scandia Down Corp.*, 475 U. S. 1147 (1986) (WHITE, J., dissenting from denial of certiorari); *Elby's Big Boy of Steubenville, Inc.* v. *Frisch's Restaurants, Inc.*, 459 U. S. 916 (1982) (same). I would grant certiorari to resolve the conflict.